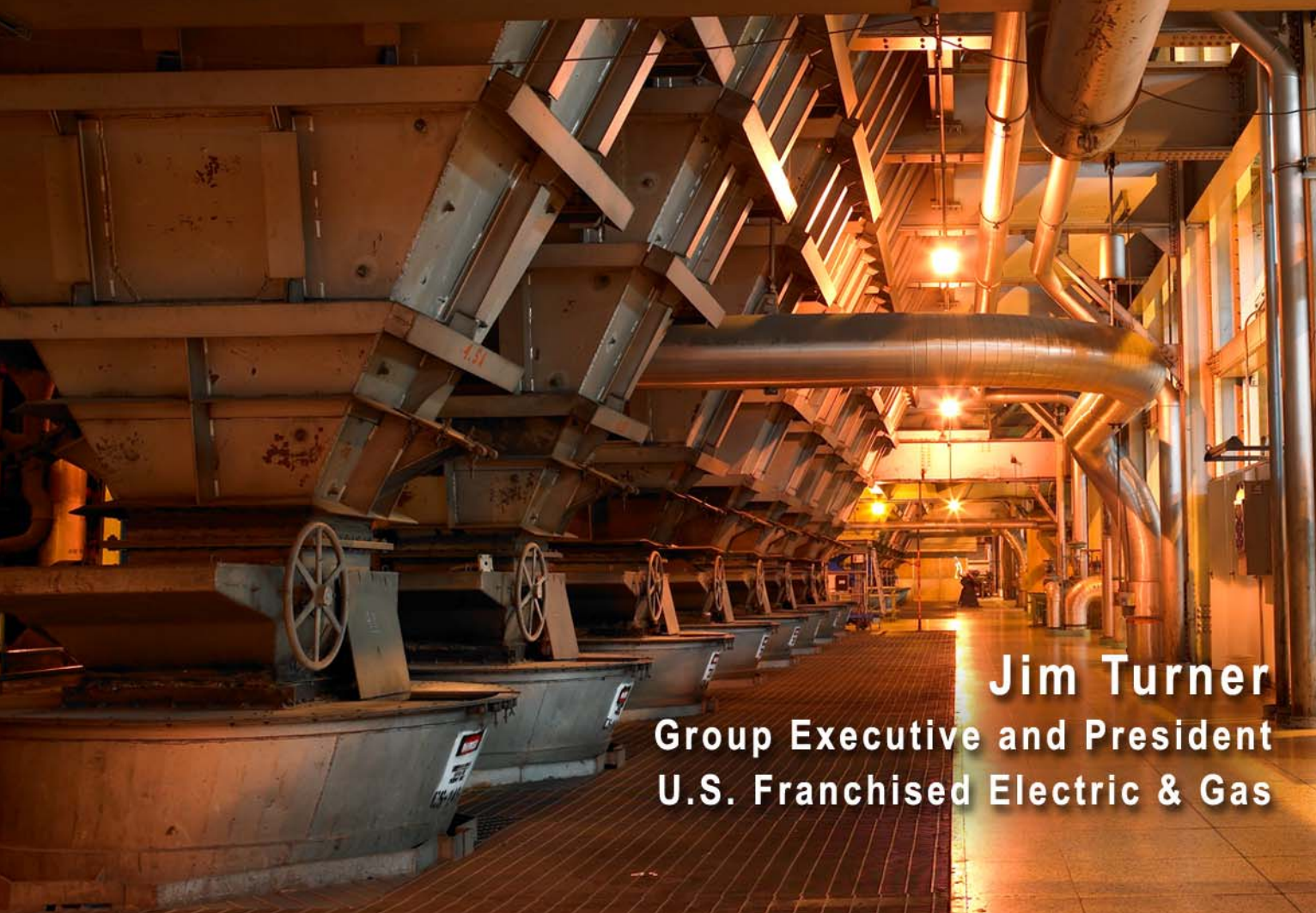


# UBS 2007 Natural Gas & Electric Utilities Conference

February 28, 2007



**Jim Turner**  
Group Executive and President  
U.S. Franchised Electric & Gas

# Safe Harbor Statement

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Some of the statements in this document concerning future company performance will be forward-looking within the meanings 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 Duke Energy's 2005 Form 10-K filed with the SEC and our other SEC filings, concerning factors that could cause those results to be different than contemplated in today's discussion.

## Reg G Disclosure

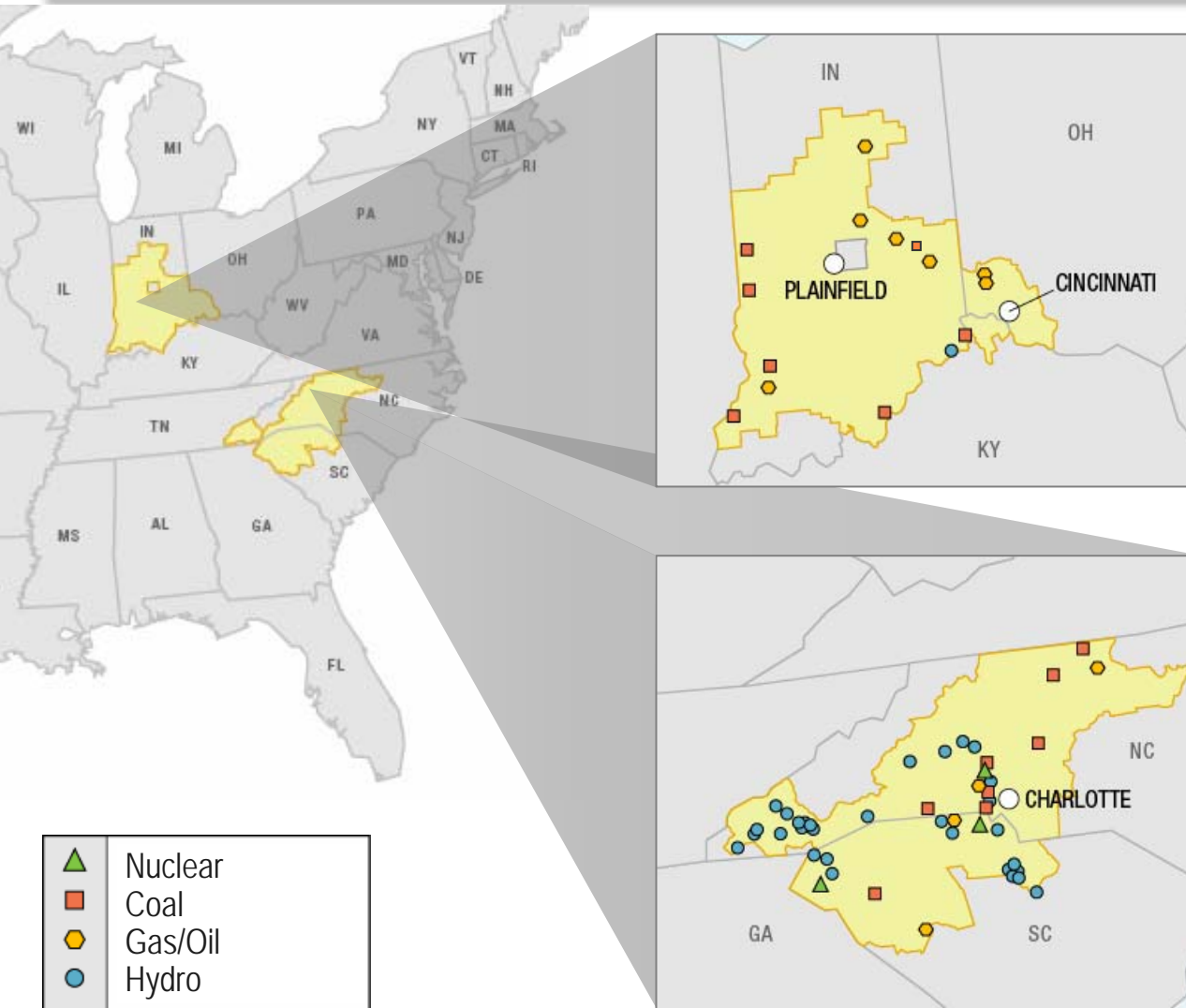
In addition, today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is available on our Investor Relations website at [www.duke-energy.com](http://www.duke-energy.com).

# Investment Highlights



- One of the leading power infrastructure companies in the U.S.
- Low-risk business profile
  - Approximately 85% of total ongoing segment EBIT from utility operations
- Strong earnings growth and total return
  - 4 – 6% ongoing diluted EPS growth from 2007 base
  - Dividend growth in line with earnings growth
- Solid balance sheet provides financial flexibility
  - No common equity issuance required to support planned CapEx

# U.S. Franchised Electric & Gas



- 5 States
  - North Carolina
  - South Carolina
  - Indiana
  - Ohio
  - Kentucky
- 47,000 square mile service territory
- 28,000 net MW of generating capacity
- 3.9 million retail electric customers
- 500,000 retail gas customers
- Approximately \$16 billion in retail rate base

# Earnings Growth Drivers



Steady Sales Growth	Enhanced Cost Reductions	Significant Capital Reinvestment
<ul style="list-style-type: none"><li>▪ Annual load growth<ul style="list-style-type: none"><li>▪ 1.5% in Carolinas</li><li>▪ 1.0% in Midwest</li></ul></li><li>▪ 65,000 new customers per year</li><li>▪ Increasing wholesale sales</li></ul>	<ul style="list-style-type: none"><li>▪ Consistent focus on cost control</li><li>▪ Merger-related rate reductions to substantially end by mid-2007</li></ul>	<ul style="list-style-type: none"><li>▪ Regulated: Projected 1/3 increase in capacity within 15 years<ul style="list-style-type: none"><li>▪ Cliffside</li><li>▪ IGCC</li><li>▪ Nuclear</li></ul></li><li>▪ Ohio: Immediate need for 1,500 MW</li></ul>

# Significant Capital Reinvestment



<i>(\$ in millions)</i>	2007	2008	2009	Total
Expansion	\$ 600	\$ 1,150	\$ 1,775	\$ 3,525
Environmental	750	475	150	1,375
Nuclear Fuel	150	200	150	500
Maintenance and Other	1,350	1,325	1,125	3,800
<b>Total Regulated Cap Ex</b>	<b>\$ 2,850</b>	<b>\$ 3,150</b>	<b>\$ 3,200</b>	<b>\$ 9,200 <sup>(1)</sup></b>
Non-regulated <sup>(2)</sup>	475	350	300	1,125
<b>Total CapEx</b>	<b>\$ 3,325</b>	<b>\$ 3,500</b>	<b>\$ 3,500</b>	<b>\$ 10,325</b>

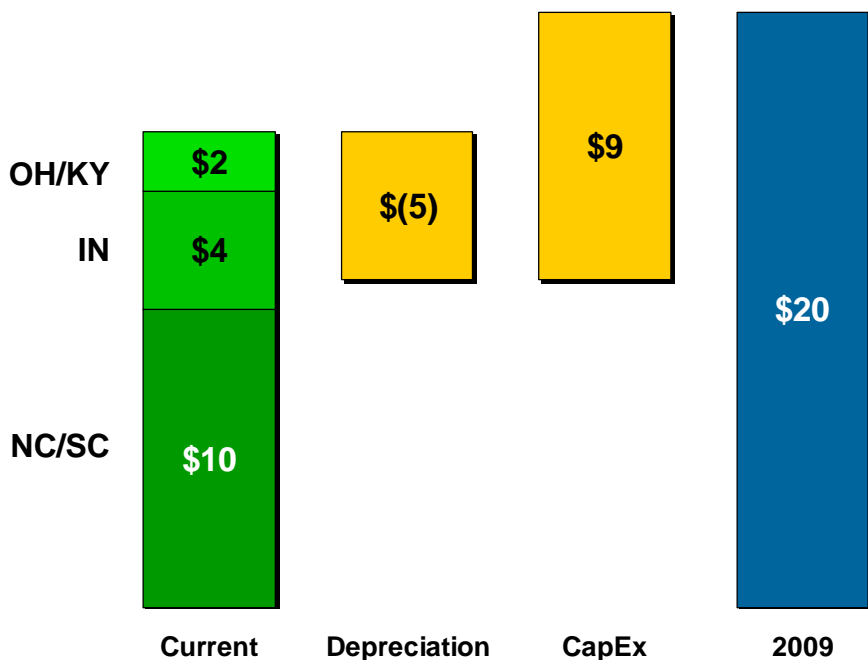
(1) Carolinas: 67%; Indiana: 23%; Ohio and Kentucky: 10%

(2) Includes Commercial Power and International

# Re-investment Supports Earnings Growth



2006 – 2009 Rate Base  
(\$ in billions)



## ~25% Increase in U.S. Franchised Electric & Gas Rate Base

Approximate current rate base	\$ 16
Less: Depreciation & amortization	(5)
Capital expenditures	9
<b>Estimated 2009 rate base</b>	<b>\$ 20</b>

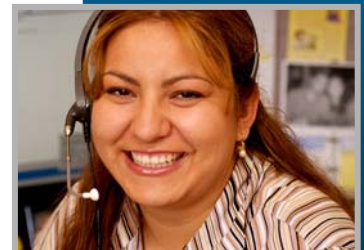
Current returns on rate base range from 8% to 9%

Note: This is a simplified illustration of the change in rate base.

# Drivers for Positive Regulatory Outcomes



- Reliable operations
- Low prices for customers
- Limited fuel price volatility
- High customer satisfaction



# Reliable Operations and Low Prices



- Operating measures
  - Nuclear capacity factor: 90%
  - Fossil/hydro commercial availability: 93%
- Rates well below the national average

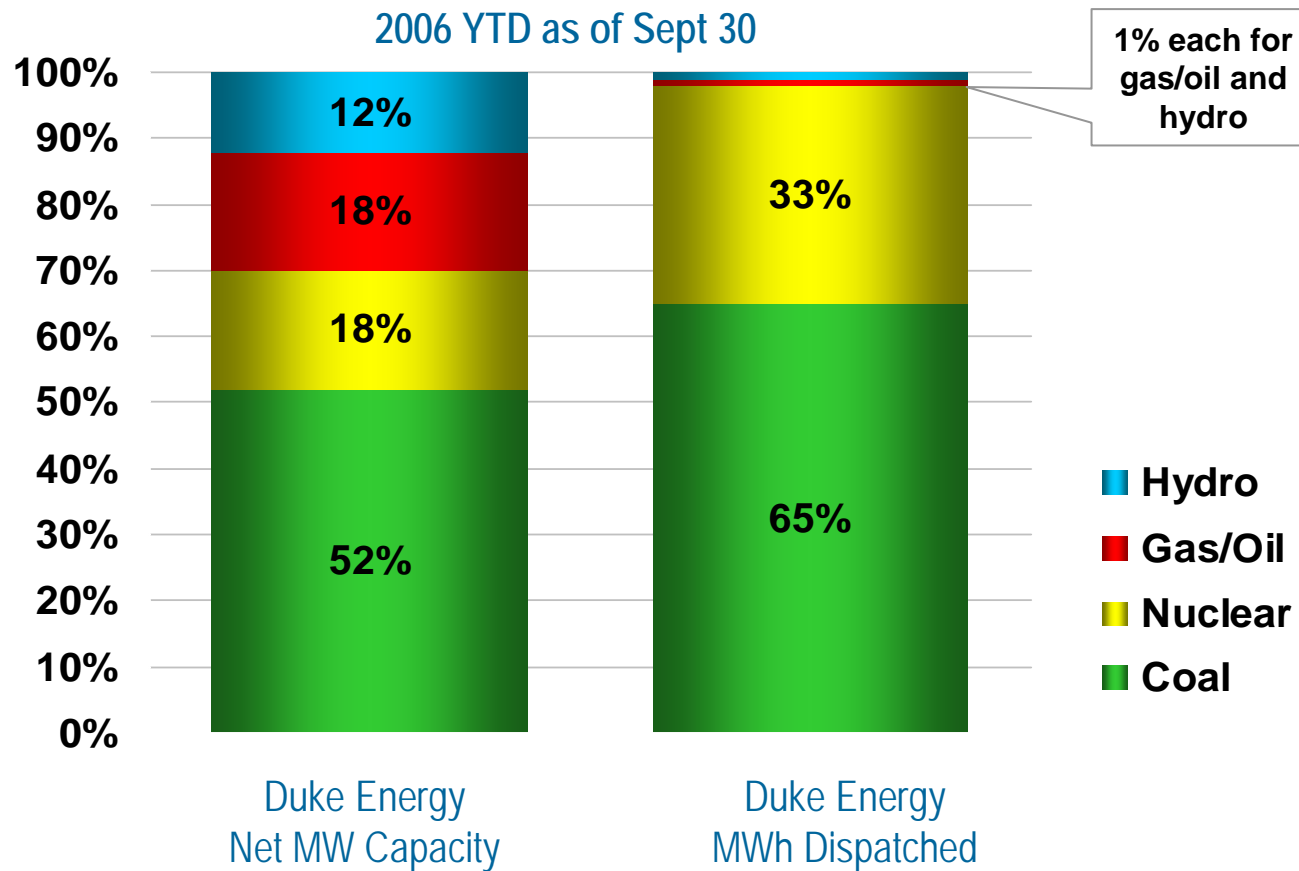
## Bundled Retail Rate Comparison

	<i>Cents / kWh</i>	<i>% National Avg.</i>
National Average	8.54	
Duke Energy		
SC	5.46	64%
IN	5.98	70%
KY <sup>(1)</sup>	6.01	70%
NC	6.40	75%
OH	7.36	86%

Source: EEI Typical Bills Summer 2006

(1) Does not reflect recent rate settlement, which provides for a 20% rate increase, effective Jan. 1, 2007

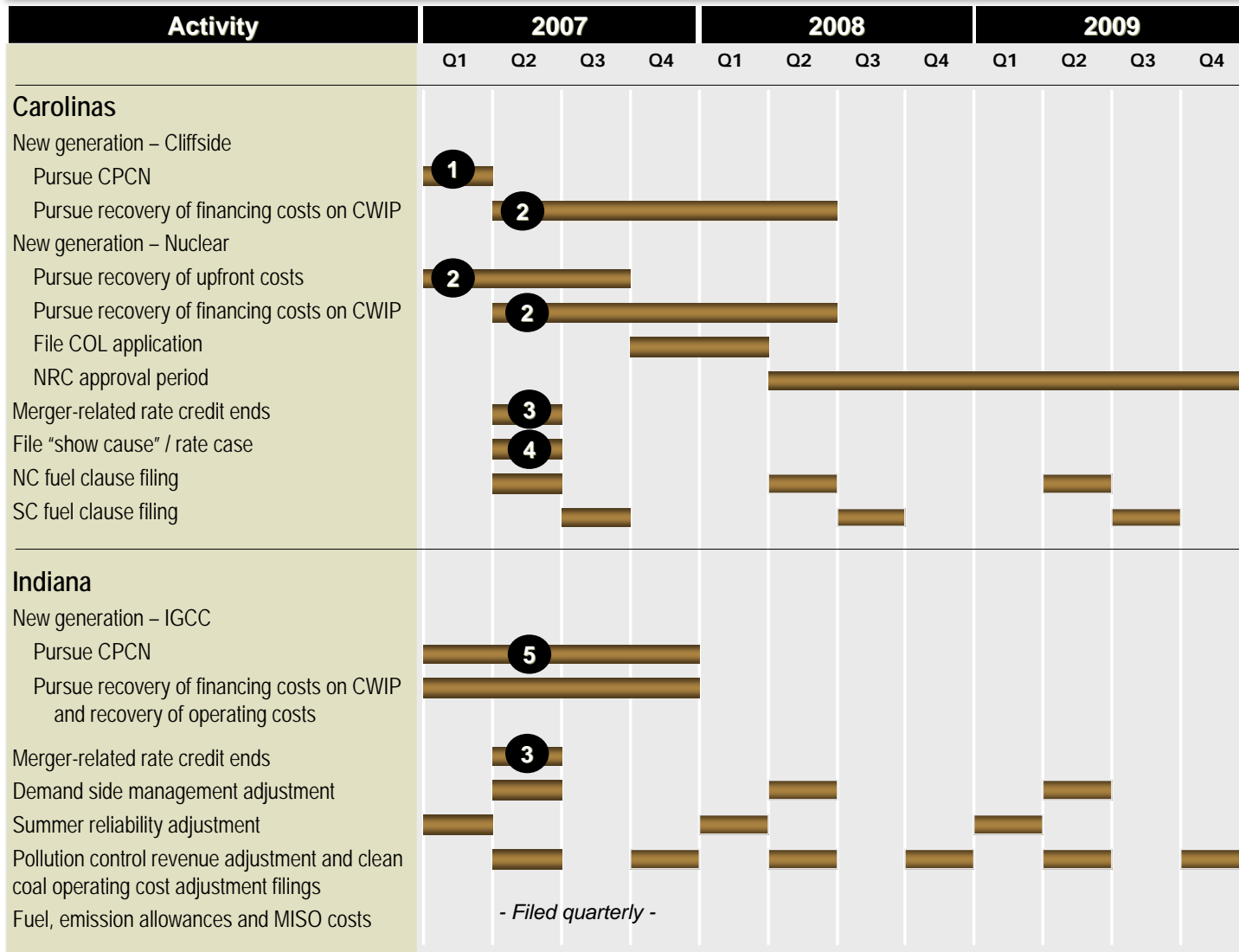
# Limited Fuel Price Volatility



100% of fuel costs recovered through trackers

Note: Excludes Commercial Power's generation assets, reflects nine months of operations for the former Cinergy assets

# Current Regulatory Calendar



1. Decision expected by Feb. 28
2. Legislation introduced in SC for recovery of:
  - Development and financing costs for coal and nuclear
  - Environmental reagent costs
3. ~\$100MM in 2007 for all jurisdictions
4. Two potential outcomes:
  - Negotiated settlement
  - Full rate proceeding
5. Hearing scheduled for June

# Current Regulatory Calendar Continued



Activity	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Ohio</b>												
RSP												
Supreme Court remand	1											
Current program ends								2				
Merger-related rate credit ends	- Ended December 31, 2006 -											
Transmission cost recovery filing												
Fuel & purchased power and SRT filing	- Filed 1 <sup>st</sup> month of each quarter -											
Gas cost adjustment	- Filed monthly -											
AMRP – Gas												
<b>Kentucky</b>												
Rate case – Electric	- New rates effective January 1, 2007 -											
Fuel clause	- Filed monthly beginning March 2007 -											
Power / emission allowance sharing	- Expect to file quarterly beginning Q2 2007 -											
Merger related rate credit	- Runs through 2011 -											
AMRP – Gas												
Gas cost adjustment	- Filed monthly -											

1. Complying with remand order; expect RSP to be affirmed in total

2. Pursuing two separate tracks:

- Extension
- Legislation to provide for new generation

# Carbon Policy

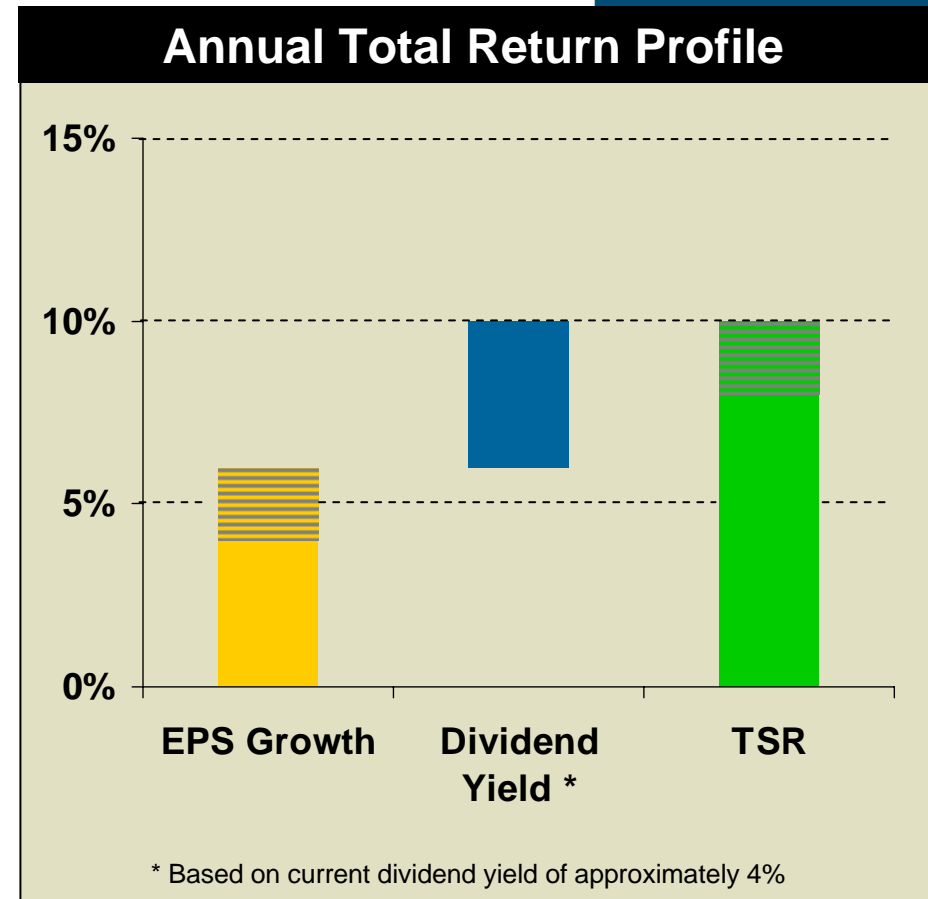


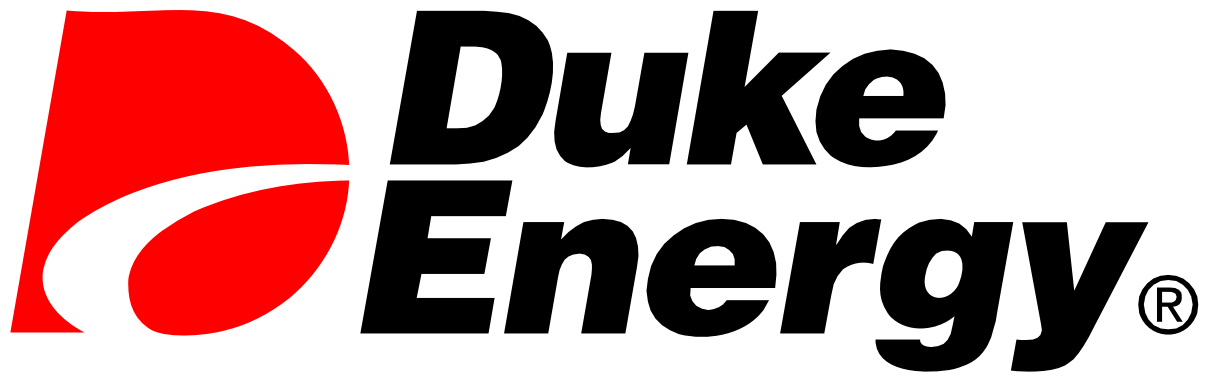
- Duke Energy joined United States Climate Action Partnership (USCAP )
  - Watershed event to accelerate congressional action on climate change
  - Diverse coalition of businesses and environmental groups
- Our goal is to achieve carbon reduction regulation that would:
  - Reduce power plant emissions without a significant impact on customers' bills
  - Promote market-based cap and trade mechanisms
  - Provide allowance allocations that are fair for all regions and economic sectors
  - Allow for compliance costs that are reasonable and affordable
  - Support advances in energy efficiency technology

# Value Proposition



- Growth
  - Sales growth
  - Cost reductions
  - Return on capital investments
- Value
  - Proactive regulatory strategy
  - 2007 EPS incentive target of \$1.15 per share, based on ongoing diluted EPS
  - 4 – 6% ongoing diluted EPS growth through 2009
  - 70 – 75% dividend payout ratio; expect dividend growth consistent with EPS growth





**Duke Energy Corporation  
Non-GAAP Reconciliation for SEC Regulation G  
UBS Natural Gas & Electric Utilities Conference  
February 28, 2007**

**Anticipated Ongoing Diluted Earnings-per-share (“EPS”) Growth Percentages**

The materials for Duke Energy’s February 28, 2007, presentation at the UBS Natural Gas & Electric Utilities Conference include a discussion of the anticipated growth in ongoing diluted EPS through at least 2009 for Duke Energy. These growth percentages are based on anticipated ongoing diluted EPS. Ongoing diluted EPS is a non-GAAP financial measure, as it represents diluted EPS from continuing operations adjusted for the per share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast any special items for future periods.

**2007 Employee Incentive Target Measure**

The materials for Duke Energy’s February 28, 2007, presentation at the UBS Natural Gas & Electric Utilities Conference include a discussion of the 2007 ongoing EPS employee incentive target for Duke Energy. The EPS measure used for employee incentive bonuses is based on ongoing diluted EPS. Ongoing diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast any special items for 2007.

## **Forecasted 2007 Ongoing Segment and Other EBIT**

The materials for Duke Energy's February 28, 2007, presentation at the UBS Natural Gas & Electric Utilities Conference include a discussion of forecasted 2007 ongoing EBIT for Duke Energy's reportable segments and for Other, which represents the remainder of Duke Energy's operations. Forecasted 2007 ongoing segment and Other EBIT amounts are non-GAAP financial measures, as they reflect segment and Other EBIT, adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measures for forecasted ongoing segment and Other EBIT are reported segment and Other EBIT from continuing operations, which includes the impact of special items. The most directly comparable GAAP measure for total ongoing segment and Other EBIT is reported earnings from continuing operations before income taxes, which includes the impact of special items. Due to the forward-looking nature of these non-GAAP financial measures for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast any special items for any future periods.