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PRESENTATION

Operator

Good day, everyone. Welcome to the Duke Energy first-quarter earnings conference call. Today's call is being recorded. At this time for opening remarks and introductions, I would like to turn the conference over to Group Executive, Investor Relations, and Chief Communications Officer for Duke Energy, Ms. Julie Dill. Ms. Dill, please go ahead.

Julie Dill - Duke Energy - Group Executive, IR & Chief Communications Officer

Thank you and good morning, and thank you all for joining us today. With me are Jim Rogers, President and Chief Executive Officer, and David Hauser, Group Executive and Chief Financial Officer. In addition, we have Fred Fowler, Group Executive and President of Duke Energy Gas; Jim Turner, Group Executive and Chief Commercial Officer for Franchised Electric and Gas; Lynn Good, our Treasurer; and Steve Young, our Corporate Controller, here with us to help answer any questions you may have.

You may have noticed in our press release distributed earlier this morning that we reported first-quarter results as separate entities, as Duke Energy and Cinergy. This is because our merger closed at the beginning of the second quarter, so each company is required to report earnings separately and make their own SEC filings. Consequently, that is how we will be talking about our first-quarter results on this call as well.

First, we will discuss Duke Energy's results and then Cinergy's. Please note that any comments we make about Duke's anticipated performance for the last nine months of this year will reflect the combined company view. We will proceed this morning with David going through both

companies' results. Then Jim will wrap up with a discussion of our commitments to investors, including some comments regarding his priorities as CEO. As always at the end, we will open the lines for your questions.

Before we begin with our prepared remarks, let me take a moment to read the Safe Harbor statement. Some of the things we will discuss today concerning future company performance will be forward-looking statements 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 and Cinergy's 2005 Form 10-K filed with the SEC and other SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.

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.

With that, I will turn the call over to David.

David Hauser - Duke Energy - Group Executive & CFO

Thank you. This morning, Duke Energy reported ongoing earnings per diluted share of \$0.48 for the first quarter, \$0.05 better than the same period last year. Reported earnings per diluted share were \$0.37, compared to \$0.88 for the first quarter of 2005. Cinergy's ongoing earnings were \$0.62 per diluted share, up \$0.02 from the previous year's quarter. Reported earnings were \$0.39 per diluted share, compared to \$0.60 from the first quarter of 2005.

Let me now go over the results for each of the business segments. I will start with Duke Energy and the Franchised Electric segment. Segment EBIT of 359 million from continuing operations was \$23 million higher than the first quarter of 2005, a nearly 7% increase. That was in spite of one of the warmest Januarys on record in the Carolinas. Heating degree days were down more than 9% from last year's first quarter and were 8% lower than normal.

Bulk power marketing sales were up by about \$12 million, mostly due to higher prices, despite the slightly lower volumes. You will recall that we share profits from our bulk power marketing activity with customers and shareholders under a 2004 profit-sharing agreement with regulators in North Carolina and South Carolina. This increase is net of that sharing.

The increase in EBIT was also driven by lower regulatory amortizations for North Carolina's Clean Air Program. Last year, we recorded \$15 million more than was originally scheduled for the first quarter. This quarter we recorded one-fourth of our expected annual 2006 amortization of \$250 million.

Customer growth was another positive driver, contributing almost \$12 million to the EBIT increase. Our average number of customers increased by about 41,000, nearly 2% over the same period last year. The number of residential customers grew by 1.8%, and commercial customers increased by 2%. We averaged about 1% fewer industrial customers, primarily in the textile sector.

Now let's move on to Natural Gas Transmission. Reported segment EBIT was \$438 million compared to \$411 million in the first quarter of 2005. This increase included a \$24 million gain this year on the settlement of a customer's transportation contract.

Ongoing EBIT was relatively flat in the first quarter, compared to 2005. Let me remind you that we expected year-to-year ongoing segment EBIT to be flat, for two reasons -- our portion of interest expense associated with the financing of the Gulfstream pipeline, and the formation of the Canadian Income Trust.

Major benefits to ongoing EBIT for the quarter included system expansions and higher natural gas processing margins. As you may recall, last summer we acquired the Empress natural gas liquids processing system in Canada, and those processing margins are reflected in this quarter's results. In addition, Canada's continued strong currency had a positive impact on EBIT of approximately \$11 million.

Offsetting factors include higher operating costs associated with system expansion -- and again, the weather. Union Gas was down about \$15 million compared to the same period in 2005, mostly due to the warmest winter on record in Ontario.

Next is Duke Energy Field Services. You saw a fairly dramatic change in the reported numbers for Field Services, so let's start by looking at the special items.

First, you will remember that the combined gains on sales of our general partner interest in TEPPCO and our TEPPCO LP units totaled approximately \$888 million in the first quarter of 2005, net of minority interest. That was reported as a special item last year.

You may also recall that on February 22 last year, we announced our intention to reduce our ownership interest in Duke Energy Field Services from almost 70% to 50%. As a result, we were required to change the accounting method for our hedges from accrual to mark-to-market accounting. That accounting change resulted in a \$118 million charge that was considered a special item in last year's quarter.

This year, Duke's portion of a gain on the sale of some Field Services gathering and processing assets in Texas and Louisiana, \$14 million, was considered a special item. After removing the effects of both years' special items, ongoing segment EBIT was down from the first quarter of 2005 by about \$19 million. That reduction is primarily a result of our decreased ownership interest in Duke Energy Field Services. However, Field Services' ongoing equity earnings benefited from strong commodity prices and higher margins from gas marketing, partially offset by increased operating expenses.

Here is a chart that helps you compare "apples to apples." If Duke Energy had owned only 50% of Duke Energy Field Services in the first quarter of 2005, the pro-forma ongoing equity earnings would have been \$109 million. First-quarter 2006 equity earnings of \$130 million would represent a 19% increase.

Of course, due to the equity ownership, you will no longer see revenues or expenses for Field Services in our quarterly highlights distributed with the earnings release.

A word about oil prices and how current levels might affect this segment going forward. On an unhedged basis, we roughly estimate Field Services' exposure at \$15 million for each \$1-per-barrel movement in crude oil prices on an annual basis. For the calendar year 2006, that will be offset by approximately \$5 million in other EBIT related to the de-designated hedges carried there. There is no such offset for future years.

We used an average price of \$61 per barrel in our 2006 estimates, and as you know, we are well above that today. But considering the volatile nature of this commodity, it is just too early to predict what effect oil prices might have on Field Services' results for the year.

Now let's look at our International segment. International Energy had a very strong quarter with a 28% increase in reported segment EBIT from continuing operations. There were no special items in International for either year, so reported and ongoing EBIT are the same. International's increase was due mostly to higher volumes and prices in Latin America, as well as continued solid performance at National Methanol. A stronger Brazilian Real contributed almost \$6 million.

We spent \$31 million to increase our ownership share in the Aguaytia Energy facilities in Peru to nearly 65% in the first quarter. This was an opportunistic acquisition, and it does not signal an intention to expand our position or make significant new investments in Latin America. We anticipated this increased ownership when we shared with you our 2006 ongoing EBIT expectation of \$275 million for International.

By the way, you'll notice in the quarterly highlights that International's revenues and expenses are up. Besides the strong performance of the business overall, you should note that the earnings from Aguaytia have moved from an equity method to full consolidation on our financial statements.

Moving on to Crescent Resources, our real estate business also continues to be a solid performer. Although Crescent's EBIT contribution was down slightly from first-quarter 2005, real estate, as you know, is all about timing, and we remain confident that Crescent will meet its EBIT expectations for this year.

The "Other" category reported an EBIT loss of \$85 million, compared to a loss of \$202 million in the first quarter of 2005. As a reminder, the change in mark-to-market value of Field Services' 2005 de-designated hedges from February 22 to March 31, 2005, resulted in a \$54 million charge to other, which was a special item in that quarter. A \$28 million mutual insurance liability adjustment was also a special item. Other's ongoing EBIT loss in the first quarter of 2006 was \$80 million, compared to a loss of \$120 million for the same period in 2005. The improved results were primarily driven by lower losses – a \$33 million improvement associated with the de-designated hedges for Field Services and a \$10 million improvement in Duke Energy North America's continuing operations.

Now let me give you a quick update on where we are with the DENA exit. We have made good progress to date, and in fact we are ahead of schedule. We continue to work with LS Power to complete the sale of our fleet of power generation assets outside the Midwest, and we are on track to have that transaction closed by the end of June. We have completed about 95% of the novations of the gas and power derivatives

contracts acquired by Barclays Capital, and we have disposed of more than 98% of the gas transportation, storage, structured power and other commodity contracts.

You may have noticed that we did not include the supplemental disclosure associated with our mark-to-market portfolio in the press release this quarter. As a result of the good progress we have made in the disposition of our contracts at DENA, this schedule no longer provided material or meaningful information. If anyone would like a copy of this schedule, please call the IR team and they would gladly get it for you.

What all that means from a cash perspective, is that we now expect to have a total net cash flow to Duke of at least \$700 million, excluding the return of collateral.

Before I cover Cinergy's results, let me take a few minutes to talk about some other financial items. Duke's cash on hand as of March 31 was approximately \$817 million, including cash equivalents and short-term investments. Our interest expense for the quarter was about \$40 million lower than last year, primarily due to the deconsolidation of Field Services.

You may recall that Duke Energy resumed its \$2.5 billion stock buyback program on March 13, after the shareholder vote approving the merger. The Board has approved a total stock buyback up to \$1 billion in 2006. As of the end of April, we have repurchased almost 7.2 million shares at an average price of about \$28.98.

As our risk profile continues to improve, we have received some good news from the rating agencies during the quarter.

Moody's changed its outlooks to positive for Duke Energy, Duke Power and Cinergy; upgraded the senior unsecured ratings for Duke Power, Duke Capital and Texas Eastern; and assigned an issuer rating of Baa2 to Duke Energy. Fitch placed the ratings for Duke Capital and Texas Eastern on "ratings watch positive" and all other ratings on stable outlook. It also upgraded Duke Power's senior unsecured rating and assigned an issuer default rating of BBB to Duke Energy. Standard & Poor's left Duke Energy's corporate credit rating unchanged at BBB. S&P also assigned a senior unsecured rating of BBB to Duke Power, and changed Duke Capital from BBB- to BBB and Cinergy from BBB to BBB-. All S&P ratings were placed on stable outlook.

Finally, let me give you an overview of Cinergy's financial results. I'm going to be speaking in terms of earnings per share rather than EBIT, as that is how Cinergy historically reported its results.

Cinergy's earnings per share and Duke's earnings per share are not comparable. For comparison purposes, \$0.01 of Cinergy's earnings per share would be equivalent to about \$3 million of EBIT. Going forward, \$0.01 of the combined companies' earnings per share would translate to about \$18 million of EBIT in 2006.

For the first quarter of 2006, Cinergy's ongoing earnings were \$0.62 per diluted share, compared to \$0.60 in the previous year's quarter. Reported earnings per diluted share were \$0.39, compared to \$0.60 for the first quarter of 2005. Much of the decline in Cinergy's reported earnings can be attributed to merger-related costs of about \$0.19 per share.

Ohio's rate stabilization plan and retail base-rate increases helped Cinergy's earnings by about \$0.24 per share, compared to the first quarter of 2005. The companies' combined optimization and trading and marketing results contributed \$0.14 per share more than in the first quarter of 2005.

Mark-to-market movements for optimization and trading and marketing are included in Cinergy's ongoing earnings, consistent with Duke Energy's practice. Cinergy's historic practice had been to adjust its earnings for mark-to-market movements associated with gas, fuel and power contracts that hedged its gas storage and generation assets. On that basis, the contribution from those businesses would have been \$0.09 less than the first quarter of 2005. (You can find more information in the supplemental schedule provided with the news release.)

The negative impacts, as compared to the prior year, included \$0.07 per share for the mild winter weather, \$0.08 per share for higher operating and maintenance costs in the regulated business unit, \$0.08 per share for increased financing costs, and \$0.09 per share for reduced synfuel benefits due to higher oil prices. But don't forget the portfolio effect. On a go-forward basis, any synfuel losses would be more than offset by the upside in our Field Services business from high oil prices.

While Cinergy did not have a strong first quarter, we don't expect the drivers of those results to carry over into the last nine months. So we are comfortable that our forecast of an \$800 million ongoing EBIT contribution from Cinergy's businesses for the remainder of the year is achievable. And because we were two separate companies until April 3, keep in mind that Cinergy's first-quarter results have no impact on our ongoing diluted earnings-per-share incentive target of \$1.90 for the year.

I hope this has been helpful, and now I will turn it over to Jim for his remarks before we take your questions.

Jim Rogers - Duke Energy - President & CEO

Thank you. David gave you a good summary of the first quarter. What I would like to do now is talk about the future.

As I told you on April 3, our commitment is to focus on what really matters to you in five key areas. One, growing earnings and dividends over time. Two, achieving the full value of our portfolio. Three, reinvesting in the business. Four, developing a strong leadership team with a deep bench. And five, delivering clear and transparent communications.

Let me briefly discuss how we are executing on each of these commitments.

The first commitment is growing earnings and dividends over time. I'm pleased with the solid performance turned in by all of our businesses in the first quarter. Each of them is executing on their plans for the year. Consequently we are very comfortable with the \$1.90 employee incentive target for '06 with our current portfolio of businesses. In the longer term, we will be striving for annual ongoing earnings growth in the range of 4 to 6%.

As you know, our business plan calls for increasing the dividend \$0.01 per quarter, beginning in the second half of 2006. The Board will take this under consideration at the June meeting. In the longer-term, we will be working to increase the dividend consistent with a targeted payout ratio of roughly 70%.

Both our earnings and dividend growth will largely be driven by our capital program in the future. This year, our capital budget is about \$4.3 billion.

The second commitment is achieving the full value of our portfolio. One way to do this is by establishing a well-defined, easily understood business model. It is clear to us that our current mix of businesses has made it difficult for investors to give us a stock price that reflects our "sum of the parts" analysis. Paul and I talked about this on April 3. As we said then, our highest strategic priority is to determine if it makes sense to separate the gas and electric businesses. We are on track to make a decision by the end of this year.

We are also evaluating all of our businesses to ensure that we have the right combination of physical assets, operations and financial flexibility to deliver superior returns in both the short and the long term. Our goal is to create a business model with a profile of sustainable earnings, cash flow and dividend growth. Such a model would enhance our credit quality and business position. However, this goal will require us to further de-risk our portfolio of businesses. We took several steps last year to further de-risk the business, including exiting substantially all of DENA and reducing our ownership interest in DEFS.

Consistent with this goal, we are focusing on the relative risk profile and the contribution of each of our unregulated businesses, which represent nearly 29% of our estimated ongoing 2006 segment EBIT.

As you can see from the slide, we have divided our total ongoing EBIT, excluding "Other," into the various business segments. Our regulated segments represent 71% of our total segment EBIT. Our non-regulated segments include our non-core businesses, Crescent and International, which represent approximately 5% and 6%, respectively, of the ongoing segment EBIT; and our commodity-related businesses, Field Services and Commercial Power, which represent nearly 11% and 7%, respectively, of ongoing segment EBIT. Once we have completed our review, we will act decisively to achieve our goal.

The third commitment is to continue to reinvest in the business. We plan to spend more than \$2.6 billion in CapEx in our power business this year. Within the next month, we intend to file our testimony with the North Carolina Utilities Commission. We will be asking for certificates to modernize and expand one of our older coal-fired power plants with two 800-megawatt units at an estimated total cost of approximately \$2 billion.

We are continuing our planning for a state-of-the-art coal gasification power plant in Indiana to replace one of our more than 50-year-old coal plants. This will require about \$1 billion in investment. We are continuing to evaluate construction of a new nuclear plant in South Carolina.

With future regulatory initiatives in all five of our jurisdictions, our strategy is to minimize the time between regulatory approval of these initiatives and cost recovery. This recovery would be both of and on our regulatory investments.

Turning now to our Gas Transmission business, we plan to spend about \$950 million this year in this business. Our gas business recently announced major expansion projects for its Texas Eastern and Algonquin pipelines. We are proposing new expansion capacity stretching from Ohio to New Jersey, as well as a lateral to Cape Cod.

We are also conducting new open seasons to address increasing customer demand for capacity and storage. These include the Lebanon East and the Southeast Supply Header projects. And just last week, we announced an open season for three gas storage facilities in Louisiana, Texas and Mississippi. These facilities are located between evolving natural gas supply options and premier markets.

Additionally, the introduction of LNG represents a fundamental change in how and where gas will be brought into the U.S. markets. That creates a clear opportunity for new infrastructure investment for our Gas Transmission business. We are pursuing these opportunities.

The fourth commitment is developing a strong leadership team with a deep bench. One of Paul's primary areas of focus has been succession planning for senior leaders. And, of course, I will be working closely with him on that process this year.

For the last month, I have been at many of our operations, meeting with the leadership teams. In my judgment, our leadership teams at all levels of the company are some of the best in the industry.

I have met with the leadership at both our Oconee and McGuire nuclear stations and reviewed their operations. They have a culture of never being satisfied. They are highly self-critical, and they hold each other accountable for safety and reliability.

My impressions were recently confirmed by the NRC, which conducted their annual public meetings. They reported that Duke had a solid performance in each of our nuclear facilities. I believe that as CEO I should be involved in the nuclear business, and my involvement is important. I'm committed to supporting the highest levels of safety and reliability in our nuclear operations.

I have also been to one of our hydroelectric plants. This visit gave me a deeper appreciation of the relicensing and water-management considerations of our communities and stakeholders. And I have toured three of our coal-fired plants in the Carolinas and viewed the progress of their scrubber construction, part of our \$900 million in environmental CapEx for this year.

As you know, our aspiration is to have one of the cleanest coal fleets among the top five U.S. consumers of coal. We will achieve this when the last of the 25 scrubbers that we have now under construction become operational in 2009.

It is obvious to me that in this first month, the momentum we achieved in closing our merger in 11 months is being carried forward. Our similar cultures are coming together. In my judgment, this is due again to the quality of the leadership we have in all areas.

The fifth commitment to you is delivering clear and transparent communications. On April 3, we rolled out our Merger Scorecard, which tracks our financial and operational results, customer and employee engagement metrics and integration milestones. I also mentioned that we would report out our progress when we release third-quarter earnings. But I thought I would give you a quick update on a couple of items.

As you may recall, we estimated our costs-to-achieve at \$675 million over five years, with about \$400 million of that occurring in the first 12 months. Through March 31st, we spent about \$81 million. This includes charges that have been capitalized as well as expensed.

On the customer front, last quarter, business customers ranked Duke Power highest in the nation among 52 utilities in overall customer satisfaction. This survey was done by J.D. Power and Associates. Having seen firsthand the commitment to customer satisfaction of our people at our Fairfax Operations Center in North Carolina last month, I understand why Duke Power came out on top.

As I said earlier, I'm pleased with our first-quarter results and our accomplishments in our first month as a combined company. What I would like to leave you with this morning are three key points that represent our value proposition for the future.

One, we are committed to growing earnings. We expect future earnings growth of 4 to 6% annually. Two, we are committed to increasing the dividend. The current yield is approximately 4.3%. We will grow dividends in the future consistent with our 70% payout target. Three, we are committed to improving the relative risk profile of our portfolio. This will require us to continue to de-risk the business. Over time we believe this will translate into a more cohesive and consistent mix of businesses and will improve our corporate credit metrics.

To conclude, we have a strong balance sheet, and we generate solid cash flow from our operations. And as we said on April 3, we believe our share price does not yet reflect our "sum of the parts" analysis. We are committed to unlocking this value.

With that, let's open it up for your questions.

QUESTION AND ANSWER

Paul Fremont - Jefferies & Co. - Analyst

If I take the cash position at the end of the first quarter and the expected proceeds from the DENA transaction on the closing, is the difference between the billion share repurchase and that \$1.5 billion roughly the targeted liquidity position that the company has stated in the past, of like \$500 million?

David Hauser - Duke Energy - Group Executive & CFO

I have not done exactly that math, Paul, but we have certainly said the liquidity position is \$500 million. Of course, we will be (a), continuing the share buyback as the year progresses, and (b), we have got a significant capital expenditure budget.

Paul Fremont - Jefferies & Co. - Analyst

And then the other question is, in terms of the synfuel result in the first quarter for Cinergy, were the facilities producing – what type of volume were the facilities producing?

Jim Rogers - Duke Energy - President & CEO

I don't know the volumes, but we did run the facilities some in the first quarter. We think we have reserved appropriately for that, and the facilities are not running right now.

Paul Fremont - Jefferies & Co. - Analyst

Thank you very much.

Operator

Maureen Howe, RBC Capital Markets.

Maureen Howe - RBC Capital Markets - Analyst

It is just a point of clarification. In the material that was sent out this morning, on page four when you're talking about the earnings from the Gas Transmission segment, there is a statement saying that part of the lower – the offset, I guess, from the improvement, was lower equity earnings related to interest expense. I'm just wondering, is that the interest related to the Gulfstream financing and the equity from that business?

Jim Rogers - Duke Energy - President & CEO

It is – we put on a project financing at Gulfstream last fall, and we own 50% of that. So it is equity accounting. So it is the interest associated with Gulfstream that we are talking about.

Maureen Howe - RBC Capital Markets - Analyst

Okay. So it is the equity from Gulfstream, and then the interest associated with Gulfstream?

Jim Rogers - Duke Energy - President & CEO

It is the interest expense associated with that project financing at Gulfstream.

Maureen Howe - RBC Capital Markets - Analyst

Okay. And lower equity earnings from that – I mean, I am sorry for the confusion – the lower equity earnings related to the interest expense?

Jim Rogers - Duke Energy - President & CEO

That is correct. Equity earnings are down at Gulfstream because we put on the project financing.

Gordon Howald - Natexis Bleichroeder - Analyst

I guess I'm trying to better understand, Jim, why Cinergy earnings were down as much as they were, exclusive of the mark-to-market. It looks like \$0.50 versus \$0.71. Were there costs associated with the merger? Was it operational? Was it synfuel reserves that were taken? If you could clarify that a little bit more, I would appreciate it.

Jim Rogers - Duke Energy - President & CEO

Sure. I would ask Lynn to respond to that question, please.

Lynn Good - Duke Energy - Treasurer

Sure. The primary drivers were weather. On synfuel results, we also referenced O&M. It was negative year on year, financing and dilution, and the trading results for power.

Gordon Howald - Natexis Bleichroeder - Analyst

Were the trading results from power a big piece of that, or maybe a little color on the pieces? That would help.

Lynn Good - Duke Energy - Treasurer

You may recall that first quarter of last year, power trading had a very strong quarter. So they were down year on year, but it was primarily because of the strong comparable in the first quarter of '05.

Gordon Howald - Natexis Bleichroeder - Analyst

Wonderful. Thank you very much. I appreciate it. Could you give me – I am sorry, the reserves on synfuel, the amount that was taken? Have you disclosed that?

David Hauser - Duke Energy - Group Executive & CFO

We have not disclosed that number.

Craig Shere - Calyon Securities - Analyst

On the DENA sell-down, weren't you all expecting \$400 million of working capital benefits?

David Hauser - Duke Energy - Group Executive & CFO

Craig, this is David. Are you thinking about the return on collateral, is that what you mean?

Craig Shere - Calyon Securities - Analyst

That is what I mean. I'm sorry.

David Hauser - Duke Energy - Group Executive & CFO

The \$700 million that I talked about is exclusive of the return of collateral. Collateral is, of course, moving every day, and collateral associated with DENA right now is down to about \$142 million. A significant piece of that is LC (letter of credit). So a lot of that has occurred.

Craig Shere - Calyon Securities - Analyst

But versus when you made your original announcement, I think you all had mentioned something like \$400 million. So is that delta still about right from the beginning, so the total cash is more like \$1.1 billion versus the original \$500 million-plus guidance?

David Hauser - Duke Energy - Group Executive & CFO

The original \$500 million was exclusive of the return of collateral, and then collateral has moved up and down since then. We spent a total of \$400 million last year exiting the positions, and now we think we will get \$700 million plus the return of collateral. Collateral as of today, as I just said, is \$142 million, and only about \$59 million of that is cash.

Craig Shere - Calyon Securities - Analyst

Okay. With Crescent, Jim had mentioned that is one of the two non-core businesses. How does that business look in terms of the ability now versus a year ago to maybe monetize that? Can you comment on the results being down a bit year-over-year and the potential impact of rising interest rates as we look to the results of that business in the next year or so?

David Hauser - Duke Energy - Group Executive & CFO

I think a couple of different comments. The reason it is down in the first quarter is there was one land sale in the first quarter of last year that was a legacy land sale. That was not repeated, so it was a fairly unique event that caused it to be down. We put out guidance of \$250 million for this segment, and we are confident that they will achieve that guidance. Things continued to do well in that business.

Now with regard to could we monetize a piece of it? I think that is an option, and as Jim and others take a look at de-risking the business, that is one that we will be thinking about and looking at.

Craig Shere - Calyon Securities - Analyst

Is the increase that we have been seeing in, like, the 10-year treasury yields in the last three months or so impacting either the business or the market value, if you wanted to monetize it?

David Hauser - Duke Energy - Group Executive & CFO

We have not seen an impact associated with our residential sales. A lot of our residential sales are very high-end and have not been touched by interest rates.

Craig Shere - Calyon Securities - Analyst

Last question. On the "sum of the parts," do you have any specific comps in mind for DEFS or the rest of the gas side of the business?

Jim Rogers - Duke Energy - President & CEO

We are not going to really talk about the specifics of our "sum of the parts" analysis. Other than, as I said on April 3, Paul thinks that translates into a \$40-a-share number.

Craig Shere - Calyon Securities - Analyst

Okay. I appreciate it.

Nathan Judge - Atlantic Equities - Analyst

Could you just go through and kind of give some greater clarity on ability or, excuse me, the O&M for Field Services? Is that going to continue throughout the year?

David Hauser - Duke Energy - Group Executive & CFO

Yes, I think the O&M will be higher for Field Services. I think we have said \$625 million. Yes, \$625 to \$650 is the number we have said. They are doing some work to enhance some of their pipes efficiency, is what a lot of that is, as well as some systems work that they needed to do. So we do expect it to be in that range for the year.

Nathan Judge - Atlantic Equities - Analyst

With regard to Cinergy, I noticed a very sharp increase as well on that company. Is that going to be a fairly good run-rate, or were there any expenditures made in the first quarter that would have accelerated O&M into that particular quarter?

Lynn Good - Duke Energy - Treasurer

We did have some items impacting first quarter that we don't expect to continue over the balance of the year.

Nathan Judge - Atlantic Equities - Analyst

Have you quantified that?

Lynn Good - Duke Energy - Treasurer

On the attachment to the press release, there was an \$0.08 delta year on year. About half of that related to items that we don't expect to reoccur.

Nathan Judge - Atlantic Equities - Analyst

Okay. Great. Thank you. And then as far as DETM, could you just give us an update where that stands, and basically where that business is going to go, and has it been resolved, etc.?

David Hauser - Duke Energy - Group Executive & CFO

Yes, there are just a couple of deals still outstanding in that business. There is an arbitration associated with that business. I expect it will not get fully resolved this calendar year, but I don't expect any material impacts either way associated with that business.

Nathan Judge - Atlantic Equities - Analyst

How much collateral is tied up in that business right now?

David Hauser - Duke Energy - Group Executive & CFO

The DENA number I gave you included DETM. It is a very small number associated with DETM. I don't have that, but it is very small.

Michael Goldenberg - Luminus Management - Analyst

I had a question for you on the potential division of the business, since there are two parts. I was wondering if there's any restrictions related to the recently completed merger or any tax restrictions that would place some sort of boundaries or restrictions on the timing of the separation, whether the announcement of such, if you decide to go that way, or the actual separation? Are you facing any hurdles there or restrictions, either merger-related or tax-related?

Jim Rogers - Duke Energy - President & CEO

It would be my judgment that we have no restrictions, either from the merger or tax-related.

Michael Goldenberg - Luminus Management - Analyst

So the minute you decide to separate the businesses, the actual timing, obviously, of internal separation, there are absolutely no other events that could prevent you from doing this sooner or later? It is totally up to you?

Jim Rogers - Duke Energy - President & CEO

I think that is our judgment. It is our decision, and there is nothing we are aware of that would prevent it, if we elect to do it.

Paul Debbas - Value Line - Analyst

How much do you expect just the expense portion of the merger-related costs to be over the last nine months?

David Hauser - Duke Energy - Group Executive & CFO

The costs to achieve -- that should be \$140 million.

Operator

It appears there are no further questions at this time.

Julie Dill - Duke Energy - Group Executive, IR & Chief Communications Officer

Okay. Well, we appreciate everybody's calling in today, and as always, if you have follow-up calls or questions, please don't hesitate to call the IR team here, and we appreciate your participation. Thank you.

Operator

Thank you. That does conclude today's conference call. We thank you all very much for your participation and hope you have a terrific day.

Jim Rogers - Duke Energy - President & CEO

Thank you.

Duke Energy Corporation
First Quarter 2006 Earnings Review – May 2, 2006
Non-GAAP Reconciliations for SEC Regulation G

Ongoing Diluted Earnings per Share – Duke Energy and Cinergy Corp.

The slides and prepared remarks for Duke Energy's May 2, 2006, Earnings Review include a discussion of Duke Energy's ongoing diluted earnings per share ("EPS") and related anticipated future growth rates. Ongoing Diluted EPS for Duke Energy is a non-GAAP financial measure as it represents diluted EPS from continuing operations plus any discontinued operations from its Crescent Resources real estate unit, adjusted for the impact of special items, as a measure to evaluate operations of the company. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The amount presented as ongoing EPS for Cinergy Corp. represents reported diluted EPS adjusted for special items as defined by Duke Energy. 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 ongoing diluted EPS for future periods, information to reconcile such non-GAAP financial measures, and related growth rates to the most directly comparable GAAP financial measure is not available at this time as the company is unable to forecast any special items for future periods.

2006 EPS Incentive Target Measure

The slides and prepared remarks for Duke Energy's May 2, 2006, Earnings Review include a discussion of the company's 2006 EPS incentive target of \$1.90. This EPS measure is used for employee incentive bonuses and should track ongoing diluted EPS, which is a non-GAAP financial measure as it represents diluted EPS from continuing operations plus the per-share effect of any discontinued operations from the company's Crescent Resources real estate unit, 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 the company is unable to project any special items for 2006.

Ongoing EBIT

The slides and prepared remarks for Duke Energy's May 2, 2006, Earnings Review include a discussion of ongoing EBIT for the following:

- Each existing Duke Energy reportable segment (including ongoing Duke Energy Field Services equity earnings) and Other – First quarter 2006 and 2005
- Cinergy Corp. operations – post-merger nine-month EBIT contribution from Cinergy Corp

- Regulated and Nonregulated operations, in total and by component – 2006

These ongoing EBIT amounts are non-GAAP financial measures, as they represent historical or forecasted reported amounts adjusted for “special items,” which represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for these historical or forecasted ongoing EBIT amounts is segment or Other EBIT, or a combination of such amounts for the appropriate segments or operations, representing EBIT from continuing operations, including any “special items.” Due to the forward-looking nature of forecasted 2006 ongoing EBIT amounts, 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” for any future periods.

DUKE ENERGY CORPORATION
ONGOING TO REPORTED EARNINGS RECONCILIATION
March 2005 Year-to-date
(Dollars in Millions)

| | Special Items (Note 1) | | | | | | Total Adjustments | Reported Earnings |
|--|------------------------|--|--|--|---|---|----------------------|----------------------|
| | Ongoing Earnings | Mutual insurance liability adjustment | Gains on sales of equity investments | Field Services hedge de- designation, net | MTM change on de-designated Field Services hedges for 2005, net | Discontinued Operations, excluding Crescent Resources | | |
| SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS | | | | | | | | |
| Franchised Electric | \$ 336 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 336 |
| Gas Transmission | 411 | - | - | - | - | - | - | 411 |
| Field Services | 149 | - | 888 A | (118) B | - | - | 770 | 919 |
| International Energy | 68 | - | - | - | - | - | - | 68 |
| Crescent | 52 | - | - | - | - | - | - | 52 |
| Total reportable segment EBIT | 1,016 | - | 888 | (118) | - | - | 770 | 1,786 |
| Other | (120) | (28) C | - | - | (54) D | - | (82) | (202) |
| Total reportable segment EBIT and other EBIT | \$ 896 | \$ (28) | \$ 888 | \$ (118) | \$ (54) | \$ - | \$ 688 | \$ 1,584 |
| EARNINGS FOR COMMON | | | | | | | | |
| Total reportable segment EBIT and other EBIT | \$ 896 | \$ (28) | \$ 888 | \$ (118) | \$ (54) | \$ - | \$ 688 | \$ 1,584 |
| Interest Expense | (290) | - | - | - | - | - | - | (290) |
| Interest Income and other | 15 | - | - | - | - | - | - | 15 |
| Income taxes from Continuing Operations | (195) | 10 | (329) | 44 | 19 | - | (256) | (451) |
| Discontinued operations, net of taxes | - | - | - | - | - | 8 E | 8 | 8 |
| Total Earnings for Common | \$ 426 | \$ (18) | \$ 559 | \$ (74) | \$ (35) | \$ 8 | \$ 440 | \$ 866 |
| EARNINGS PER SHARE, BASIC | | | | | | | | |
| | \$ 0.45 | \$ (0.02) | \$ 0.59 | \$ (0.08) | \$ (0.04) | \$ 0.01 | \$ 0.46 | \$ 0.91 |
| EARNINGS PER SHARE, DILUTED | | | | | | | | |
| | \$ 0.43 | \$ (0.02) | \$ 0.57 | \$ (0.07) | \$ (0.04) | \$ 0.01 | \$ 0.45 | \$ 0.88 |

Note 1 - Amounts for special items are entered net of minority interest

A - Gain on sale of investment in units of TEPPCO LP, \$97 million, and TEPPCO GP, \$791 million net of \$343 million of minority interest.

B - De-designation of hedges due to proposed sell of 19.7% interest in DEFS to ConocoPhillips. \$125 million loss recorded in Impairment and other charges on the Consolidated Statements of Operations, reduced by \$7 million of hedge settlements recorded in Non-regulated electric, natural gas, natural gas liquids and other revenues on the Consolidated Statements of Operations.

C - Recorded in Operation, maintenance and other on the Consolidated Statements of Operations.

D - Recorded in Non-regulated electric, natural gas, natural gas liquids and other revenues on the Consolidated Statements of Operations.

E - Primarily DENA discontinued operations, net of tax.

Weighted Average Shares (reported and ongoing) - in millions

| | |
|---------|-----|
| Basic | 954 |
| Diluted | 990 |

DUKE ENERGY CORPORATION
ONGOING TO REPORTED EARNINGS RECONCILIATION
March 2006 Year-to-date
(Dollars in Millions)

| | Special Items (Note 1) | | | | | | Reported Earnings |
|--|------------------------|------------------|---|-------------------------|-------------------------|-------------------|-------------------|
| | Ongoing Earnings | Costs to Achieve | Initial Gain and Subsequent Net Gain on Contract Settlement | Gain on Sales of Assets | Discontinued Operations | Total Adjustments | |
| SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS | | | | | | | |
| Franchised Electric | \$ 359 | | \$ - | \$ - | \$ - | \$ - | \$ 359 |
| Gas Transmission | 414 | - | 24 B | - | - | 24 | 438 |
| Field Services | 130 | - | - | 14 C | - | 14 | 144 |
| International Energy | 87 | - | - | - | - | - | 87 |
| Crescent | 42 | - | - | - | - | - | 42 |
| Total reportable segment EBIT | 1,032 | - | 24 | 14 | - | 38 | 1,070 |
| Other | (80) | (5) A | - | - | - | (5) | (85) |
| Total reportable segment EBIT and other EBIT | \$ 952 | \$ (5) | \$ 24 | \$ 14 | \$ - | \$ 33 | \$ 985 |
| EARNINGS FOR COMMON | | | | | | | |
| Total reportable segment EBIT and other EBIT | \$ 952 | \$ (5) | \$ 24 | \$ 14 | \$ - | \$ 33 | \$ 985 |
| Interest Expense | (250) | - | - | - | - | - | (250) |
| Interest Income and other | 9 | - | - | - | - | - | 9 |
| Income taxes from Continuing Operations | (247) | 2 | (8) | (5) | - | (11) | (258) |
| Discontinued Operations, net of taxes | - | - | - | - | (128) D,E | (128) | (128) |
| Total Earnings for Common | \$ 464 | \$ (3) | \$ 16 | \$ 9 | \$ (128) | \$ (106) | \$ 358 |
| EARNINGS PER SHARE, BASIC | \$ 0.50 | \$ - | \$ 0.02 | \$ 0.01 | \$ (0.14) | \$ (0.11) | \$ 0.39 |
| EARNINGS PER SHARE, DILUTED | \$ 0.48 | \$ - | \$ 0.01 | \$ 0.01 | \$ (0.13) | \$ (0.11) | \$ 0.37 |

Note 1 - Amounts for special items are entered net of minority interest

A - Recorded in Operation, maintenance and other on the Consolidated Statements of Operations.

B - \$23 million recorded in Gains on Sales of Other Assets, net and \$1 million recorded in Other income and expenses, net on the Consolidated Statements of Operations.

C - Recorded in Equity in earnings of unconsolidated affiliates on the Consolidated Statements of Operations. Transaction related to sale of Brookeland, Masterscreek and Jasper assets.

D - Excludes Crescent discontinued operations.

E - Primarily DENA discontinued operations. Recorded in Income (Loss) From Discontinued Operations, net of tax on the Consolidated Statements of Operations.

Weighted Average Shares (reported and ongoing) - in millions

| | |
|---------|-----|
| Basic | 928 |
| Diluted | 963 |

Duke Energy Corporation
Pro-Forma Equity Earnings for Field Services - 1Q 2005
Non-GAAP Reconciliation for SEC Regulation G

The slides and prepared remarks for Duke Energy's May 2, 2006 Earnings Release include a discussion of pro-forma DEFS equity earnings for the first quarter 2005, which is a non-GAAP measure as it reflects what ongoing equity earnings (see "Ongoing EBIT" discussion included herein) would have been had Duke Energy's ownership percentage in DEFS been reduced to 50% as of the beginning of 2005. The most directly comparable GAAP measure for pro-forma DEFS equity earnings for the first quarter 2005 is reported segment EBIT for Field Services for the first quarter 2005. A reconciliation of these two measures is included below.

(Amounts in millions)

| | <u>Q1 2005</u> |
|--|----------------|
| Field Services Reported Segment EBIT 1Q05 (69.7% ownership) | \$ 919 |
| Less: Special Items | |
| Gains on sale of TEPPCO (net of minority interest of \$343 million) | (888) |
| Field Services hedge de-designation | 118 (770) |
| Field Services Ongoing Segment EBIT 1Q05 | 149 |
| Adjustment for hedges not de-designated | 34 |
| Adjustment for 19.7% interest transferred $[(149 + 34) * (19.7\% / 69.7\%)]$ | (52) |
| Adjustment for interest and taxes (included in Equity Earnings) | (19) |
| Other | (3) |
| Pro-Forma Equity Earnings 1Q05 (from Earnings Review Slides) (a) | \$ 109 |

(a) - Assumes DEFS LLC was 50% owned by Duke Energy during 1Q 2005 and there were no hedge impacts recognized during the quarter ended March 31, 2005.

CINERGY CORP.**RECONCILIATION OF GAAP NET INCOME TO ONGOING NET INCOME - 2006***(Unaudited)**(In thousands)*

| | Q1 \$ | Q1 EPS |
|---|--------------|---------------|
| Regulated Businesses | | |
| Net Income As Reported | \$ 34,198 | \$ 0.17 |
| Cumulative Effect of a Change in Accounting Principle | 2,385 | \$ 0.01 |
| Special Items: | | |
| Merger and Severance Costs (net of tax effects of \$15,055) | 25,122 | 0.13 |
| Ongoing Net Income | \$ 61,705 | \$ 0.31 |
| Commercial Businesses | | |
| Net Income As Reported | \$ 50,196 | \$ 0.25 |
| Discontinued Operations | 4,057 | 0.02 |
| Cumulative Effect of a Change in Accounting Principle | 1,094 | 0.01 |
| Special Items: | | |
| Merger and Severance Costs (net of tax effects of \$7,559) | 12,558 | 0.06 |
| Ongoing Net Income | \$ 67,905 | \$ 0.34 |
| Power Technology & Infrastructure Services | | |
| Net Income As Reported | \$ (5,030) | \$ (0.03) |
| Cumulative Effect of a Change in Accounting Principle | 14 | - |
| Special Items: | | |
| Severance Costs (net of tax effects of \$75) | 113 | - |
| Ongoing Net Income | \$ (4,903) | \$ (0.03) |
| Cinergy Corp. | | |
| Net Income As Reported | \$ 79,364 | \$ 0.39 |
| Discontinued Operations | 4,057 | 0.02 |
| Cumulative Effect of a Change in Accounting Principle | 3,493 | 0.02 |
| Special Items (net of tax effects of \$22,689) | 37,793 | 0.19 |
| Ongoing Net Income | \$ 124,707 | \$ 0.62 |

CINERGY CORP.**RECONCILIATION OF GAAP NET INCOME TO ONGOING NET INCOME - 2005***(Unaudited)**(In thousands)*

| | Q1 \$ | Q1 EPS |
|---|--------------|---------------|
| Regulated Businesses | | |
| Net Income As Reported | \$ 75,896 | \$ 0.39 |
| Special Items: | | |
| Severance Costs (net of tax effects of \$458) | 748 | 0.01 |
| Ongoing Net Income | \$ 76,644 | \$ 0.40 |
| Commercial Businesses | | |
| Net Income As Reported | \$ 45,192 | \$ 0.23 |
| Discontinued Operations | (2,477) | (0.01) |
| Special Items: | | |
| Severance Costs (net of tax effects of \$283) | 463 | - |
| Ongoing Net Income | \$ 43,178 | \$ 0.22 |
| Power Technology & Infrastructure Services | | |
| Net Income As Reported | \$ (3,732) | \$ (0.02) |
| Special Items: | | |
| Severance Costs (net of tax effects of \$67) | 108 | - |
| Ongoing Net Income | \$ (3,624) | \$ (0.02) |
| Cinergy Corp. | | |
| Net Income As Reported | \$ 117,356 | \$ 0.60 |
| Discontinued Operations | (2,477) | (0.01) |
| Special Items (net of tax effects of \$808) | 1,319 | 0.01 |
| Ongoing Net Income | \$ 116,198 | \$ 0.60 |

Certain Regulated Businesses and Commercial Businesses amounts have been restated to conform with current presentation.