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PRESENTATION

Operator

Good day, everyone, and welcome to the Duke Energy Analyst Meeting conference call. Today's call is being recorded. We will be going live to your host Julie Dill, Vice President Investor and Shareholder Relations very shortly. Thank you for your patience, and please continue to hold.

Julie Dill - Duke Energy - VP Investor Relations

Good morning. Can I get everyone to take a seat or take a place? Thank you for joining us this morning. This is a little bit more crowded than I had anticipated when we set this up, but thank you for joining us.

For those of you who don't know me, my name is Julie Dill. I am the Vice President of Investor and Shareholder Relations for Duke Energy. I would like to mention that today here with me is Brad Arnett, the Managing Director of Investor Relations for Cinergy Corp., and Brad in the back.

Our speakers for today's presentation are Paul Anderson, Chairman and CEO of Duke Energy Corporation; Jim Rogers, Chairman, President and CEO of Cinergy Corp.; Jim Mogg, Group Vice President and Chief Development Officer for Duke Energy Corporation; Jim Turner, Executive Vice President and Chief Financial Officer of Cinergy Corp., and David Hauser, Group Vice President and Chief Financial Officer of Duke Energy Corporation.

Before we begin with our prepared remarks, let me read to you the statement of forward-looking statements. This presentation and our discussion today will include statements that do not directly or exclusively relate to historical facts. Such statements are forward-looking statements within the meanings of the security laws and include statements regarding benefits of the proposed merger, integration plans and expected synergies, anticipated future financial operating performance and results, including estimates of growth. These statements are based on the current expectations of management of Duke and Cinergy.

There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statement. These factors are referred to in the written presentations, and there are other factors that may affect the future results of Duke and Cinergy which are set forth in their respective filings with the Securities and Exchange Commission.

The written presentation and such filings are available at Duke's website, www.duke-energy.com/investors and Cinergy's website, www.Cinergy.com/investors and are filed with the SEC. Following our prepared comments, we will take questions from the folks in the room with us.

Since this is being webcast, I will ask that you wait to ask your question until we can get a microphone to you. And our apologies to those of you joining us by phone as we will not be able to accommodate your questions at this time.

With that, I will turn the presentation over to Paul Anderson.

Paul Anderson - Duke Energy - Chairman and CEO

Thank you, Julie, and good morning, everyone. I'm very excited to be here today to talk to you about the announcement we've made this morning of the merger of Cinergy Corp. and Duke Energy. I know a lot of you have been speculating on what type of transaction we might do next since we did the field services and TEPPCO ones. I am very happy to say this is it for those of you who have been speculating.

This morning we would like to walk you through the strategic rationale from both companies' perspectives, and to give you a better idea of why we are confident that this transaction will create significant value for both sets of shareholders.

Let me start by giving you the view from Duke Energy's perspective. This merger will strengthen our business platforms and increase value on day one as well as into the future. The addition of Cinergy's regulated asset portfolio to ours improves our risk profile as well and we see the creations of value immediately. The Duke Energy board has indicated their intent to increase the annual dividend 12.7% to \$1.24 per share effective September 2005.

In addition, the transaction is accretive to earnings, and we will realize approximately \$400 million in gross annual synergies at a steady-state. Of this \$400 million, the savings that come from our regulated businesses will be shared between our customers and our shareholders.

The scale and scope of our regulated electric operation grows almost 40% to 25,000 megawatts. On the unregulated side, scales grows by more than 50% to over 16,000 megawatts. One of the other great values this transaction brings to Duke Energy is an improvement in our merchant generation profile in terms of fuel and geographic diversity.

One of Duke's major objectives this year was to pursue a combination of DENA's assets with another merchant player. This is a very good next step in creating a sustainable business model for DENA. The combined companies will immediately have more scale and fuel diversity, two of the important characteristics that we sought in order to provide a more stable platform at DENA. And significantly, Duke's gas position in the Midwest complements Cinergy's coal position in that region. The combination will produce cost savings of about \$95 million in the merchant business in the first year and after the deal closes about \$125 million annually after that.

This improves the weakest portion of our portfolio of the Midwest assets. We know there is more work to be done here, and we still have our power positions in the West. We still have our Northeast assets, but I am incredibly pleased with the opportunities this combination presents to our unregulated portfolio.

Many of you have heard me talk before about making the Company bigger before we can make it smaller and simpler. With this increase in size of the electric operation, the stand-alone strength of both the electric and gas operations provides a portfolio of flexibility. This strategic transaction will now enhance our flexibility to manage our portfolio in a different way and potentially split the gas and electric businesses. On an implied market cap, our electric operations would now be in the top five in the United States on a stand-alone basis, and our gas operations would be the largest in North America.

Finally, I believe that the combination with Cinergy positions Duke Energy very well to participate in future consolidations in the utility and merchant energy businesses. I would like to now turn it over to Jim Rogers to give his perspective on the value to Cinergy's shareholders.

Jim Rogers - Cinergy Corp - Chairman, President and CEO

Paul, thank you very much. Let me start by saying that I'm delighted to join with Paul in this transaction. He has created great value for shareholders in every organization he has ever led.

Let me now talk a little bit about the transaction from Cinergy's perspective. This transaction provides substantial value to our shareholders. It does it immediately and more importantly over the long-term. It is transformational for us. First, this transaction provides a 13.4% premium for current Cinergy shareholders. Second, it maintains dividend neutrality. Third, it provides Cinergy shareholders with more diverse sources of earnings in the future.

We are bringing together two premier franchise electric utility platforms. I believe together we will be better positioned for the future. Both are low cost suppliers. Both have received high customer satisfaction scores from JD Powers. Both have a strong commitment to economic development, and both operate in constructive regulatory environments.

Another benefit to Cinergy is that this transaction can ultimately help Cinergy meet its needs for generating capacity in the Midwest. Let me say it another way. Duke's long capacity position in the Midwest will be available to help fill Cinergy's short capacity position. Over time Duke's Midwest plants would allow us to modernize our fleet faster as environmental regulations become more stringent on coal plants.

One obvious advantage is that we're joining with a company that is a leader in the operation of nuclear plants. This is very important as we think about our future.

As Paul mentioned, we will be able to reduce the cost of our combined gas and power marketing operations and create greater profitability from this part of our business.

Our companies share similar core values. If you have not had an opportunity, and I urge you to look at the fact sheet on this, as it reflects the core values. I would specifically ask the Duke and Cinergy employees to review this fact sheet. These values to me indicate that we're going to work well together and create the promise of this transaction.

As I think back to when I became CEO of PSI in 1988, the first person I met from Duke was Bill Lee, the CEO of Duke Power at that time. I have followed Duke ever since. Over the years, I have

admired Duke's commitment to quality service and operational excellence. Both Duke and Cinergy are leaders in our industry.

As you all know, the success of every company is dependent upon the talent, the commitment and the passion of its people. Paul and I believe that the combination and the people of these two companies will create great value for all stakeholders in the future. This is a winning combination.

At this point, let me turn it over to Jim Mogg to review the transaction details and combined operation.

Jim Mogg - Duke Energy - Group VP and CDO

Thank you very much, Jim, and good morning, everyone. Let me talk about some of the specifics of this transaction. First, because the new Company will fall under the regulations of the Public Utilities Holding Company Act, Duke Energy will become a Delaware holding company. This transaction is a 100% stock transaction with a fixed exchange ratio. Each Cinergy shareholder will receive 1.56 shares of Duke stock for each Cinergy share they own. And based on Friday's close, Duke at \$29.36 and \$40.38 for Cinergy, Cinergy shareholders are receiving a premium of 13.4%. If you look at our current holdings, Cinergy shareholders will hold a bit more than 24% of the total Duke shares outstanding or about 310 million shares.

An important feature of this transaction is that the Duke Energy board has indicated their intent to increase the annual dividend to \$1.24 per share effective with the September 2005 dividend payment. This is very significant to the Duke Energy shareholders as it represents a 12.7% increase in our dividend. The 1.56 to 1 exchange ratio and the increased dividend have the effect of making Cinergy shareholders essentially whole with respect to the dividend they currently receive.

So let's take a look at some of the combined operating statistics for the merger. First, let me remind you there is a good portion of the Duke Energy portfolio that is not impacted by this transaction. Our natural gas transmission, field services and international businesses have no overlap with the operations Cinergy brings to our portfolio.

So let's focus on the combination of the electric business. When you look at this table, you can see how the two companies add up. As of December 31, 2004, the combined Company, and this one does, in fact, include the gas operations, had more than 29,000 employees. On the regulated side, we will provide 3.7 million customers with electric service and 1.7 million customers with natural gas to their homes and businesses. This covers five states -- Ohio, Indiana, Kentucky, North Carolina, and South Carolina, as well as the distribution territory we have in Canada. On a combined basis, we will operate more than 54,000 megawatts in

North America and cover a regulated service territory totaling 47,000 square miles.

This next slide shows the service territories for the two regulated utilities. These two companies are low-cost operators, and both provide high-quality customer service. From a regulated standpoint, Cinergy has approximately 7000 megawatts of generation, primarily coal-fired, and Duke has over 18,000 megawatts with the fuel diversity that is outlined on this chart. Given the proximity and nature of the regulated utilities, we believe we can satisfy all of the requirements of the 35 Act.

If you had an opportunity this morning to look at the article in the Journal regarding AEP, there is really two issues surrounding that. The first one is the same area requirement. And if you look at this map, we believe there are many opportunities for us to satisfy that requirement.

The second one is the requirement around interconnections. We have explored several options to make sure that this transaction can satisfy that requirement also.

One of the most significant benefits of this transaction is the Midwest unregulated generation. Cinergy has in excess of 5000 megawatts of sixth generation, primarily coal-fired, and as previously mentioned, Duke has 3600 megawatts of gas-fired generation in the Midwest. As Jim noted, Cinergy is short generation in the Midwest and Duke is long generation. Additionally, the fuel diversity of our merchant fleet has been enhanced.

When you take the approximate 6000 megawatts for all of Cinergy's unregulated generation and combine it with DENA's total portfolio of almost 10,000 megawatts, you have significantly expanded the unregulated merchant generation fleet and added fuel diversity to our almost 100% gas-fired fleet.

Now let's look at the regulatory timeline. Overall it will take about one year to get all of the approvals required. Let me walk you through what those requirements are. We will file with all five state commissions by June 30. These approvals will likely take about nine months. The FERC filing is expected sometime in July and we hope to receive their approval within 10 months of that filing.

There are other various filings such as the Department of Justice and the NRC that will also take place during this timeframe. We expect to file with the SEC in July; however, the final approval from the SEC would not occur until 4 to 6 weeks after we receive all other regulatory approvals.

Now what I have just gone through gives you a very high-level look at what the Company will look like from an operations standpoint and an outline of our regulatory approval plans. Through the course of our discussions over the past few months,

we have taken a look to see where we might be able to make those operations more efficient and that leads us to our discussion of synergies.

Jim Turner has worked quite a bit on this topic, so I would like to turn it over to him at this time to discuss those synergies. Jim.

Jim Turner - Cinergy Corp - EVP and CFO

Thank you, Jim, and good morning, everyone. As a result of our merger, our combined operations are expected to yield about \$400 million in annual pretax cost savings by the third year. This number is before cost to achieve about \$700 million which will largely be completed by the end of year two.

Please bear in mind that the numbers we are reflecting here are based on the modeling work that was done to evaluate this transaction. We won't know until the transition teams have completed their work what the actual numbers will be or exactly how they will be split.

We expect these savings to come from both our regulated and our unregulated operations, and in fact, our work to date suggests that they are split roughly 50-50 between these businesses. As Paul mentioned earlier, we do expect savings from the regulated side of the business will be shared between our customers and our shareholders.

You can see from this chart our estimate of how the cost savings and cost to achieve will play out over the next five years. You can see that the costs to achieve are largely completed by the end of the second year. These costs, however, will not all fall immediately to the bottom line. For modeling purposes, we have assumed that 60% of the costs to achieve will be capitalized with the remaining 40% being expensed. These allocations are subject to further accounting and regulatory analysis. Of course, the key to maximizing these savings will be our ability to hit the ground running on day one which we fully intend to do. We will be putting integration teams from both companies in place to ensure we are prepared for day one and to look for additional savings opportunities.

Now let's take a look at where these savings are anticipated to come from. The majority of the \$400 million in annual pretax cost savings will come from corporate sources totaling just under \$200 million. Based on our current assumptions, approximately half of this amount would be allocated to the regulated operations. About \$130 million is expected to come from the unregulated operations of the two companies with the remaining \$80 million coming from the regulated utility operations.

Obviously and unavoidably when we join two large companies, a major driver of cost savings will be work force reduction. Our

modeling anticipates a reduction of about 1500 employees. This will account for about half of the total savings we have identified to date. These reductions will take place across several organizations, specifically the corporate and shared services functions, the regulated backoffice functions and the unregulated merchant and trading and marketing businesses. We expect these reductions will come primarily through attrition, early retirements and severance programs. The gas side of the business, as well as the nuclear and international operations will be unaffected by these reductions.

Now let me turn it over to David Hauser to go through some of the other financial highlights. David.

David Hauser - Duke Energy - Group VP and CFO

Thank you, Jim. Let me start by saying that I am very enthusiastic about this transaction. Specifically from a financial point of view, I think there are several important dynamics you should be aware of.

First, this merger will be accretive by about \$0.10 to \$0.15 per share over the current 2006 and 2007 consensus Wall Street estimate. It is important to note that this accretion does not include the cost to achieve the synergies that Jim just walked through, nor does it reflect the sensitivity the Company used during its evaluation process. Accretion can certainly vary depending on what functions you use and we have looked at many different scenarios in different years. In all the different views, we have taken this transaction remains accretive.

This is a very tax efficient transaction, both for shareholders and the Corporation as it is a fixed stock exchange ratio deal. It also improves our risk profile as we will be adding regulated business and a significant portion of the merchant business of Cinergy is contracted. Cash generation of the combined companies is very solid whether we look at funds from operations or EBITDA. We have told you that we have targeted a 70% payoff ratio. This transaction and the associated dividend increase maintains that concept and we would be below the 70% payout ratio after conclusion of cost to achieve and the realization of synergies.

Now let me quickly review some other financial items. There is not a significant difference between the credit ratings of the two companies. On a combined basis, the balance sheet will result in debt to total capitalization of approximately 45%. This is much lower than what we currently have. This is because we are issuing approximately 310 million shares at a premium to the book value of Cinergy. The funds from operation, interest coverage of this new entity will be in the range of 5.5 to 6 times, which should result in strong investment-grade credit ratings.

As you might suspect, we will be booking goodwill related to the merger. We estimate that incremental goodwill will run in the neighborhood of \$4 billion.

Now let me talk about our stock buyback. You will recall that we announced earlier this year our plan to buy back approximately \$2.5 billion in common shares over the next three years. The first tranche of this plan was for 30 million shares with a value of approximately \$830 million. We have already retired these shares, but Merrill Lynch has been repurchasing these shares in the market to cover the short position. As of May 6, they had already completed the repurchase of 6.6 million shares, and our intent is for them to continue with the repurchase until completed.

The second arrangement was for Merrill Lynch to repurchase another 20 million shares through the end of 2005 depending on market conditions. As of May 6, Merrill Lynch had repurchased 2.6 million shares. Additional repurchases under this arrangement have been suspended pending further assessment.

Now let me turn it over to Paul to discuss other aspects of the deal.

Paul Anderson - Duke Energy - Chairman and CEO

Thanks, David. There are a few other important governance type items that you should be aware of and I would just like to briefly hit those. First, the initial Board of Directors of the merged companies will be comprised of 10 directors named by Duke and five directors named by Cinergy. The corporate headquarters for Duke Energy will be in Charlotte, North Carolina. Headquarters' offices for the various other businesses will remain unchanged. Specifically the headquarter offices of PSI will remain in Indiana and CG&E and Union Light Heat & Power will remain in Cincinnati, Ohio.

On the Duke side, Duke Power will continue to be headquartered in Charlotte and Duke Energy Gas Transmission, along with certain other commercial operations, will remain in Houston, Texas. The headquarter office's for Duke Energy Field Services will stay in Denver and the headquarters' offices for Crescent Resources will stay in Charlotte.

Now let me touch on the functional organization. This is a functional organization chart to give you a sense of how we will be running this business. I will serve as Chairman, and Jim Rogers will be CEO for the new entity. Fred Fowler will be President and CEO of Gas Operations reporting to Jim on operations issues and to me on strategy, pending completion of a strategic review of the portfolio. These gas operations include all of our natural gas pipelines and gas storage facilities, Union Gas and Duke Energy field services. We have not yet determined how the electric operations will be structured, so don't try to read those boxes and try to put names in boxes. But that group will include Duke Power, DENA and our international operations.

In addition, Cinergy's utilities will also fall under this group. CG&E utility is a combination of regulated gas and electric service and will remain that way. Crescent Resources and corporate

functions will also report to Jim. We will be evaluating the talent in each organization in the coming months to fill the positions so that they contribute the most to the organization and we look forward to the experienced employees at Cinergy to keep our strong relationships in the state and local arenas in which they have been dealing.

Before I turn it back over to Jim, I would like to just show you a chart that I hope helps you understand why I am very comfortable having Jim as the successor CEO of this new Company.

This chart shows total shareholder returned over the past five years. As you can see, for the last year or so, both Duke and Cinergy have had different performance in that regard. But look at the years prior to that. While Duke suffered significant difficulties during the post Enron period, Cinergy quietly kept returning increasing shareholder value. Jim Rogers has been the CEO of Cinergy for about 16 years and if you put this chart that far back in time, you would see a similar track record. I believe the kind of leadership Jim demonstrates will be an asset to Duke Energy and to our shareholders, and I have every confidence that Jim will lead the new Duke Energy well into the future.

I would like to now turn it over to Jim to discuss the next step and we will wrap it up from the Cinergy point of view.

Jim Rogers - Cinergy Corp - Chairman, President and CEO

Paul, thank you for those kind words. I wish my mom could have heard what you said. It would have been better than the gift I gave her yesterday.

As we mentioned, we plan to achieve approximately \$400 million in annual cost savings. One way to achieve that goal is to be ready on day one after we close. To that end, we will soon form a transition committee. Paul and I will co-chair that group. We will look to others in our organizations to co-chair the various sub-committees. These groups will look for ways to improve the practices and processes of the combined Company.

Speed of integration is essential to capture the economic benefits of this combination. We will have a clear plan and our management teams will be focused on delivering these benefits through high-quality execution. We will deliver the savings that we promised today.

In the regulatory arena, we will start to file with the state regulatory commissions in the next few days. This will get the ball rolling. Before turning it over to Paul to wrap it up, let me summarize from the Cinergy standpoint.

This is a great transaction for our shareholders. It is the right strategic combination at the right time. We at Cinergy are looking forward to joining with the people of Duke to create a great

Company that will deliver on what we promised today. Now let me turn it back over to Paul.

Paul Anderson - Duke Energy - Chairman and CEO

I will just end by summing it up from the Duke perspective. This merger will enhance strong business platforms of our generation businesses. It will be accretive through a combination of both cost savings and earnings growth. Combining our electric businesses provides a significant utility position and improves the earnings outlet and fuel diversity at DENA. And as we told you in our annual report, one of our imperatives was to position DENA to be a successful merchant operator. This transaction is a major step in that direction.

Additionally our shareholders will benefit from an increase in the annual dividend of 12.7% or \$1.24 per share, and it will leave Duke Energy well positioned to participate in the continued consolidation of the electric utility and merchant generation businesses.

And lastly, I will just point out we expect the transition to close the summer of 2006. So now I will turn it over to Julie.

Julie Dill - Duke Energy - VP Investor Relations

We're going to open it up for Q&A. As I mentioned before, we're going to have handheld mikes to help benefit the webcast. Brad Arnett, who I had mentioned before, is not in the back of the room. Brad is here. I apologize for that. He has a mike up here and Mary Ann Arico from Duke has one back as well.

My one request is that if you have a specific question for one of the Jims, please tell me which Jim it is. I am not much of a poker player, but I think three of a kind is a good thing. So if you could specify, I would appreciate it.

QUESTION AND ANSWER

Julie Dill - Duke Energy - VP Investor Relations

Why don't we start right here?

Unidentified Audience Member

Congratulations to all of you involved. I think it is a good transaction.

My question is for Jim Mogg. Jim, you skipped over relatively quickly the concept of integration. You raised the AP Central Southwest merger and the article that was in today's Journal, and

you said you had looked at integration and you thought you could do it. Can you get a little bit more specific on that subject?

Jim Mogg - Duke Energy - Group VP and CDO

Well, unfortunately at this point, we're not prepared to do that. As you might expect, our regulatory teams have found several ways that we think we can go to do that, but we are not prepared to disclose that at this point since we have several different options.

I will tell you that one of the things when we put this transaction together is going to be a commercial for one of the individuals, but a previous FERC commissioner named Mike Naeve was a consultant for both companies in this transaction. I don't think you could find a person that could come up with a better answer than Mike Naeve. So that is our support for me making that statement.

Julie Dill - Duke Energy - VP Investor Relations

Paul Fremont.

Paul Fremont - Jefferies & Co. - Analyst

This question is for Duke. You ended the quarter with about \$2 billion of cash on the balance sheet. It looks as if you're only going to be using less than \$1 billion per share repurchase. Can you tell us what your plans are with the remaining cash? Also, with cash that is expected to be generated over the next several years or over the next 12 months until the merger closes? And finally, how does the 45% debt to total cap compare to your original goal which had been a 50% debt to total cap?

Paul Anderson - Duke Energy - Chairman and CEO

Well, that would be a question I would normally refer to David, but I'm going to save him on this one because the real answer is we will spend the next year looking at our portfolio options. And depending upon what we do, what we arrive at in terms of the businesses and where we're going to emphasize those businesses and the opportunities that we have both in Cinergy's operations and in Duke's operations, we basically are saying, hey, let's keep our powder dry right now until we know exactly what the future is like. And the last thing we want to do is to go out willy-nilly spending money until we have really assessed the situation. David, you might want to comment on the 45%?

David Hauser - Duke Energy - Group VP and CFO

Let me make one important comment. Keep in mind how you get to the 45%. You get there by issuing equity at a premium to the book value of Cinergy. So what really becomes more important from the credit viewpoint is the funds flow from operations, the

interest coverage. So we don't have a target of heading back to 50-50 at this point. The cap structure that I laid out is probably a pretty good cap structure but we will be assessing that, too.

Craig Shere – Calyon Securities - Analyst

A couple of questions. One, I just want to make sure that I am clear on the synergies. So there is about \$125 million to be gained in synergies at the merchant power area, and half of the corporate overhead would be \$85. So about \$210 will be unregulated, leaving about \$190 to the regulated which you would have to share presumably with ratepayers given agreements with utility commissions. Is that right?

Jim Turner - Cinergy Corp - EVP and CFO

That is correct. We would expect some sharing between regulated and non-regulated from the part that goes to the regulated utility operations.

Craig Shere - Calyon Securities - Analyst

And going back to the wholesale generation side, 16,000 megawatts, as you have alluded, is not necessarily enough. You all are going to keep looking for economies of scale presumably in that business. But DENA is no longer a one trick pony. Now it has got coal-fired assets.

So my question is, what are the characteristics that the combined merchant portfolio would look for in additional rollout strategies? What do you need to diversify the portfolio more? Is it just more plants in general? It does not matter what it is or where it is or things like that?

Jim Mogg -Duke Energy - Group VP and CDO

Well, I think when we talked about that strategy there was a couple of things that we highlighted. First off, just from a he G&A perspective, we think that size is very important. So you have already mentioned that we have got some \$100 million attributed to Cinergy just from the fact that we can operate 16,000 megawatts, not for the same price, but close to the same price that we can operate 10,000 megawatts. So scale is very important, and additional plants are very important obviously for that scale.

When you say just any plant, we're looking for profitable plants to put into this portfolio. It is a nice fuel diversity when you look at the coal-fired position of Cinergy, and you put it in with our gas-fired. We are nearly 100% gas-fired, but we would continue to look for other coal sources or other fuel sources for the rollout.

Unidentified Audience Member

I just had a quick follow-up on the share repurchase. Should we expect essentially that you guys are going to finish off the \$30 million accelerated repurchase and then that will be the end of the repurchases?

And then the second question I have is the savings per person. If you take \$200 million and you divide it by 1500, it comes out a little bit higher than what we found on average, and I was wondering if you could elaborate a little bit on that amount of savings per employee. It seems a lot higher than most mergers.

David Hauser - Duke Energy - Group VP and CFO

Let me take the first one. The 30 million share repurchase, we are still short 23.4 of those. So we will be covering that position over the balance of this year. We have stopped the other 20 million, but as Paul said, we have cash, we simply have not assessed what we are going to do with that cash, and whether or not a further share repurchase beyond the 30 million is part of that or not.

Jim Rogers - Cinergy Corp - Chairman, President and CEO

Let me take a shot at the second one, and maybe make another paid announcement like Jim Mogg did for Mike Naeve. We were assisted in our Cinergy's effort by Booze Alan, and specifically the person we had from Booze Alan has worked on about 300 of these kinds of transactions and believes very strongly that the numbers that we have identified, the savings opportunities we have identified, as well as the workforce reductions we have identified, are very much in line with what he has seen in the past transaction he has evaluated.

Julie Dill - Duke Energy - VP Investor Relations

Karen Taylor.

Karen Taylor – Nesbitt Burns - Analyst

Can you just clarify for me in the assumptions about the 3600 megawatts in the Midwestern United States, can you talk to me how much of the synergies and cost savings on the merchant side arise from taking that installed capacity and moving it over to the regulated side physically or by contract, and whether or not FERC has any sort of roadblocks that would prevent you from offsetting that long/short that way? Thank you.

Jim Mogg - Duke Energy - Group VP and CDO

We have certainly looked at these megawatts in the position of both companies. In this analysis, we have not identified any specific amounts for that to occur.

Bob Gottesman – First Manhattan - Analyst

Could each of you talk about the background to how this came about? What was going on in your mind, Paul? What was going on in your mind at Cinergy? How did we get to this point?

Paul Anderson - Duke Energy - Chairman and CEO

Well, I can say from my standpoint we were looking around for a combination that would do a number of things. The lead thought was we had in our mind that we would do nothing that did not contribute putting DENA in a profitable position. So we basically sorted out options and limited it to players that somehow would complement the DENA activities.

Obviously Cinergy came to mind early on just because they are very concentrated on coal, and we're very concentrated on gas. And I must say I guess Jim and I talked early December, and at the time it was just very exploratory. But as we talked more and more, we realized that the facilities position we had in the Midwest was extremely complementary. And then as we talked through just philosophies and regulatory regimes and what have you, we realized there's a lot of benefits beyond just the DENA combination, and that developed. I think we started internally calling it the deal to beat around January or February. And by that time we got to this point, we said, "By God, this is the deal."

Jim Rogers - Cinergy Corp - Chairman, President and CEO

Paul described it very well. As we talked, I think both of us became more confident that this was the transaction that was a terrific transaction for both groups of shareholders. And as Paul said, initially one of the things that was the driver in our conversation was the fact that we needed additional capacity in the Midwest. And as we looked at that fact, coupled with the fact that over time the environmental regulations with respect to our power plants become more stringent with respect to emissions, we knew that we were going to have to modernize our fleet at some point.

Roughly 25% of our fleet are plants that are 40 to 50 years old that are small plants, plants that it does not make sense to do scrubbers or FCRs or retrofits. So clearly a value to us was the ability to combine these fleets over time. And as you know, in Ohio we have a rate stabilization plan today that ends end of '08 and after that under the primary faults in the state. The probability of deregulation is very low, the probability is it will be a competitive market. When you match-up our base load coal generation with a combined cycle of plants, it gives us the ability to compete for loads not only in the Southern part of Ohio, but throughout the state as the market moves forward.

Ali Agha – Wells Fargo Securites - Analyst

Jim Rogers, is Cinergy going to go ahead with its CapEx plan, if we could just get your opinion? In light this transaction, you had a pretty ambitious CapEx program earmarked. Will there be changes in that positioning of that CapEx program going forward as part of this transaction?

Jim Rogers - Cinergy Corp - Chairman, President and CEO

We see no need to change our CapEx program during the period that the approvals are solved for a couple of reasons. Most of the CapEx is just tied to reinvestment in our transmission distribution and generation system.

The other part is the compliance with regulations that came out of the EPA in March. I know both are on appeal, but we have a case pending this week in Indiana where our people are testifying to a plan where we will try to comply even though the regulations are uncertain. We believe it is a least cost compliance plan, and as we look out, we know we will be putting scrubbers and FCRs on the back-end of every one of our 500 megawatt units or greater. So I see no change over the near-term.

Ali Agha – Wells Fargo Securites - Analyst

And if I can just follow-up, David, does this entity in the second year or when you achieve your merger synergies, is this a free cash flow entity after paying for CapEx and dividends?

David Hauser - Duke Energy - Group VP and CFO

In the year where you have substantial cost to achieve, this is probably not a positive free cash flow after CapEx and dividend. But that is a very isolated year if all those expenses occur in one year. In a steady-state going forward, it is a positive free cash flow.

Ashar Khan – SAC - Analyst

Do you know to what extent?

David Hauser - Duke Energy - Group VP and CFO

We have not put those numbers out at all.

Ashar Khan – SAC - Analyst

Okay. And if I can just finish up, Paul, you mentioned, David probably mentioned that the dividend payout ratio is going to be below the 70% implied for the long-term for the Company. So once the transaction finishes in a year, a year and half, what kind of dividend growth or what kind of a reset should the shareholders be looking at for the ongoing Company?

Paul Anderson - Duke Energy – Chairman and CEO

We just gave you an increase today. Give me a little slack. I think that the dividend policy there is a lot of unanswered questions as to how we are going to adjust our strategy going forward, and of course, the dividend policy ties very closely to a lot of other strategic issues. But I think our intent is to deliver shareholder value one way or another and it is a little premature to say exactly how is the dividend component of that.

Unidentified Audience Member

Would you need to sell Crescent as part of the utility holding company? And then secondly, are there any kind of general conditions in the merger agreement with respect to what Duke can do strategically with some of these businesses that might require approval from Cinergy or just how does that process work?

Jim Mogg - Duke Energy - Group VP and CDO

Sure. As to the first one on Crescent under the 35 Act, our comments would be as follows. First, this transaction would not close until a year from now, and there would probably be several different opinions in this room as to whether the 35 Act will be in or out of the energy bill assuming we have an energy bill.

But the other key component is a year from now if we do have the 35 Act and if we have to get rid of Crescent, they will probably if they go with historical practices give us something in the neighborhood of an additional three years to deal with that. So from a Crescent standpoint, we're talking about something that is toward the end of this decade.

Specifically, as you might expect with your second question on the merger agreement, we set up an approval process that is very similar to what we have at the Duke Board today. If the companies are going to spend other than what we scheduled, if you're going to take an unscheduled transaction, and that is more than \$100 million of CapEx, then we would discuss that with the respective companies before we went forward. So that is the approval process.

Unidentified Audience Member

Two unrelated questions. First, with regards to the addition of the merchant portfolio coming in to both the companies, I can see the rationale for Duke with the fuel diversity in coal. To understand the economics on the Cinergy side, should we assume that you have in your analysis assumed a significant pickup in spot trends in that '08 scenario of lower gas prices? How does the gas-fired merchant portfolio add to the Cinergy economics?

An unrelated question, Paul, you talked about looking at your gas businesses whether it would make sense to keep them or not strategic thinking. When would you reach a decision? Would that be reached simultaneously with the closing, or should we expect that will be another year or so out from that when you decide what to do with those operations?

Paul Anderson - Duke Energy - Chairman and CEO

Sure. I will answer the second question and let Jim answer the first one. During the time that we're going through the approval processes, we will be on a parallel path assessing the strategic options of the gas business as either part of the portfolio or on a stand-alone basis, or if it were to leave the portfolio, on what basis would it leave and what would create the most value. Our hope would be that we could affect that shortly after the close. We would not just start thinking about it after the close.

Jim Rogers - Cinergy Corp - Chairman, President and CEO

With respect to your first question, as we look out to '08, we see the Midwest the supply and demand coming in balance at that time. As I have said a few moments ago, we are short capacity today and we think it is critical that we have additional capacity.

Most of our capacity today is base load coal plants, although some of our old coal plants we use like mid-merit and use to use a little bit like peakers. So we have primarily base load coal and peakers.

Mid-merit plants like combined cycle plants fit in perfectly with our load generation curve. So as we look out and we look at environmental regulations as I said a moment ago and the need today that we have coupled with the need that we will have as we retire some of these units, we think that this fleet fits in perfectly because not only do we also see that prices are going to rise in the Midwest.

Today about 30% of the time gas is on the margin as compared to California with 90% or New England with 90% on the margin. But over time, gas will be increasingly on the margin in the Midwest, and it will be critical to our ability to supply reliable power to our customers, but also it will be supplying the power in a rising market with gas increasingly on the margin.

Julie Dill - Duke Energy - VP Investor Relations

I'm going to put Peter Quinn on the spot here because he had a question for bondholders. So, Mary Ann, if you could just maybe do that for, Peter?

Peter Quinn – Goldman Sachs - Analyst

Thanks. Could you just outline for us what the legal structure will look like in terms of the boxes and the lines? And can you tell us what the implications are for the debt particularly at Duke Capital and Duke Energy going forward?

David Hauser - Duke Energy – Group VP and CFO

Well, let me take that, and we will have a HoldCo, and we will have Duke Power as a rated subsidiary of the HoldCo. Certainly the debt at Duke Energy would follow Duke Power when it is created as a HoldCo. Duke Capital will have the pipeline and we have not fully resolved where Duke Capital debt will stay at Duke Capital along, as well as the pipeline and the pipelines debt.

We are looking at international and Crescent and deciding where in the legal structure they resolve, where they should be, and of course, if you end up selling Crescent, then the question is where does the cash go? But at the end of the day, the Company is very committed to maintaining solid investment grade credit ratings at each of its subsidiaries of HoldCo.

Unidentified Audience Member

I just have an accounting clarification with regard to be 5200 or so megawatts of unregulated generation at Cinergy. Is it expected under purchase accounting that you will have to write those assets up, and if so, is the increased depreciation reflected in your accretion numbers?

David Hauser – Duke Energy - Group VP & CFO

Yes. It is expected you would write up those assets, along with a variety of other purchase accounting adjustments, and the depreciation is reflected in the numbers.

Unidentified Audience Member

Just a quick follow-up, as well on a separate account, you guys mentioned or Jim, you mentioned the short capacity position at Cinergy. Relative to the 3600 megawatts of incremental Duke unregulated generation in the Midwest that is coming online, how much of the short capacity position there can be filled?

Jim Rogers - Cinergy Corp - Chairman, President and CEO

Roughly today when we look at the demand that we have, we need to go to market annually and purchase roughly 1500 megawatts. And as demand grows in the region, we will have even a greater demand.

Julie Dill - Duke Energy - VP Investor Relations

We probably have time for just two more questions.

Unidentified Audience Member

Just two quick questions. One for Cinergy's portion. How much of that is related to CapEx that is being deferred or no longer needed versus how much is cost savings and kind of revenue enhancements?

David Hauser – Duke Energy -Group VP and CFO

Of the Cinergy's?

Unidentified Audience Member

Of the \$400 million in the press release, I guess some of it was coming from CapEx that you would no longer need to spend.

Jim Rogers - Cinergy Corp - Chairman, President and CEO

No, the capitalization I talked about was on the cost to achieve side. We think about 60% of the cost to achieve will be capitalized. The pretax savings that we're talking about are all pure savings.

Unidentified Audience Member

Thank you. And the second question in terms of post-2008 in Ohio, I would assume that this deal gives you now the ability to provide a shaped load or better shaped load into what I assume you think will become a BGS dial style or maybe even an Illinois style auction.

My question is similar to Ameron in where they think they can only serve 50% of their Illinois load. How much of your native utility load post-08 do you think you could serve from this new asset side?

Jim Turner - Cinergy Corp - EVP and CFO

Well, there are no rules in place yet with respect to that. But the way I would think about it is given the location of this generation, and if the market becomes competitive as you have described, we will have the opportunity to sell into all the markets in Ohio. Ohio is the fourth-largest retail market in the country. The prices range from \$41 to \$42 a megawatt hour, under the rate stabilization plan for our customers today, to as high as \$46 to \$48 for first energy.

So our belief is if we, indeed, evolve to a more competitive market after '08, that this blend of generation that we have will allow us to make bids into each of these markets in the state.

Julie Dill - Duke Energy - VP Investor Relations

One last question.

Unidentified Audience Member

Besides Crescent Resources, do you expect that you might have to sell any other assets? And as far as the cost to achieve go, will each Company be expensing those costs separately, or will they be deferring them? And if they are going to be expensed separately, how would it be split between Duke and Cinergy?

Jim Mogg - Duke Energy – Group VP and CDO

I will take the first one. As we look at the regulations, we don't see any requirements to sell any other assets. And so as Paul mentioned earlier, we will be modifying our portfolios as we go forward based on what enhances shareholder value and regulations. We don't anticipate that there will be a requirement for other significant divestitures. Obviously we will have to get regulatory approval, and as I mentioned earlier, Mike Naeve and others have looked at that.

Jim Turner - Cinergy Corp - EVP and CFO

With regard to the cost to achieve, most of those will occur after we close the deal. So we will not be talking about it in the context of one company or the other at that point.

Julie Dill - Duke Energy - VP Investor Relations

Thank you all and thank you. This brings to a conclusion our session this morning. As always, Brad and his IR team at Cinergy and myself at Duke would be happy to answer follow-up questions. Thank you for coming today.