



# Strategically Addressing Key Energy Infrastructure Challenges



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June 1, 2006

# Safe Harbor Statement

Some of the statements in this document concerning future company performance will be forward-looking within the meanings of the securities laws. Actual results may materially differ from those discussed in these forward-looking statements, and you should refer to the additional information contained in Duke Energy and Cinergy's 2005 Form 10-Ks filed with the SEC and other SEC filings, concerning factors that could cause those results to be different than contemplated in today's discussion.

## Reg G Disclosure

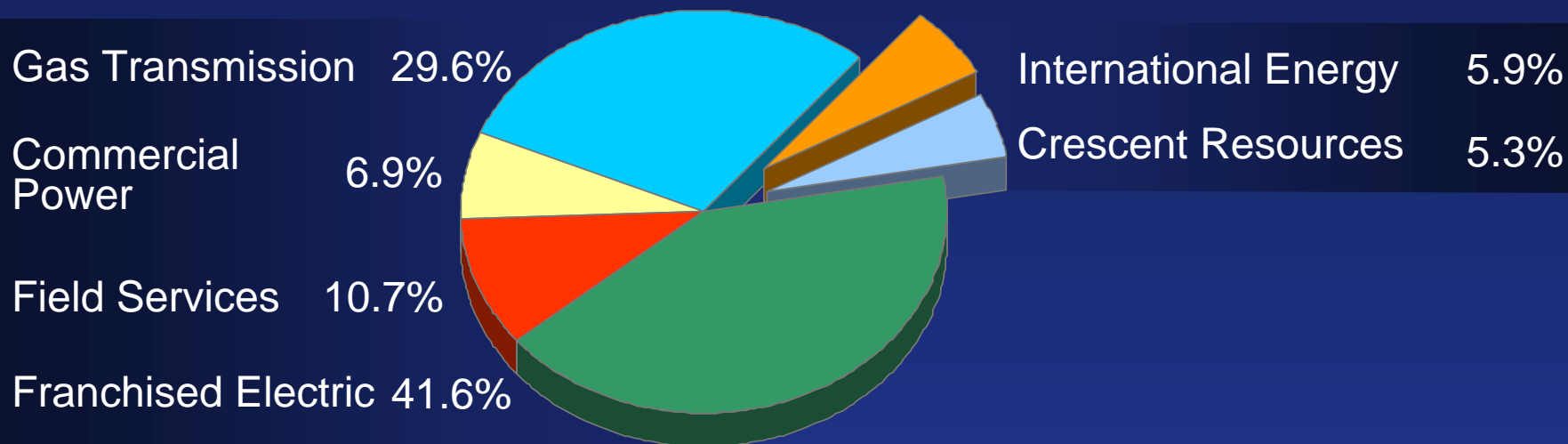
In addition, today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is available on our Investor Relations website at [www.duke-energy.com](http://www.duke-energy.com).

# A Leader in Energy Infrastructure in North America



## 2006 Total Ongoing Segment EBIT\*

North American  
Infrastructure 88.8%



\*Excludes "Other". Graph labels may not reflect exact reporting segment names.

# Predictable, Stable Earnings Stream

## 2006 Total Ongoing Segment EBIT\*

Regulated 71.2%

Nonregulated

28.8%

Gas Transmission 29.6%

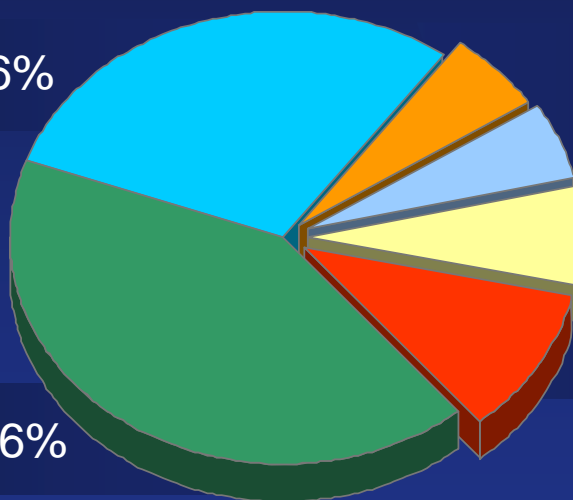
International Energy 5.9%

Crescent Resources 5.3%

Commercial Power 6.9%

Field Services 10.7%

Franchised Electric 41.6%



\*Excludes "Other". Graph labels may not reflect exact reporting segment names.

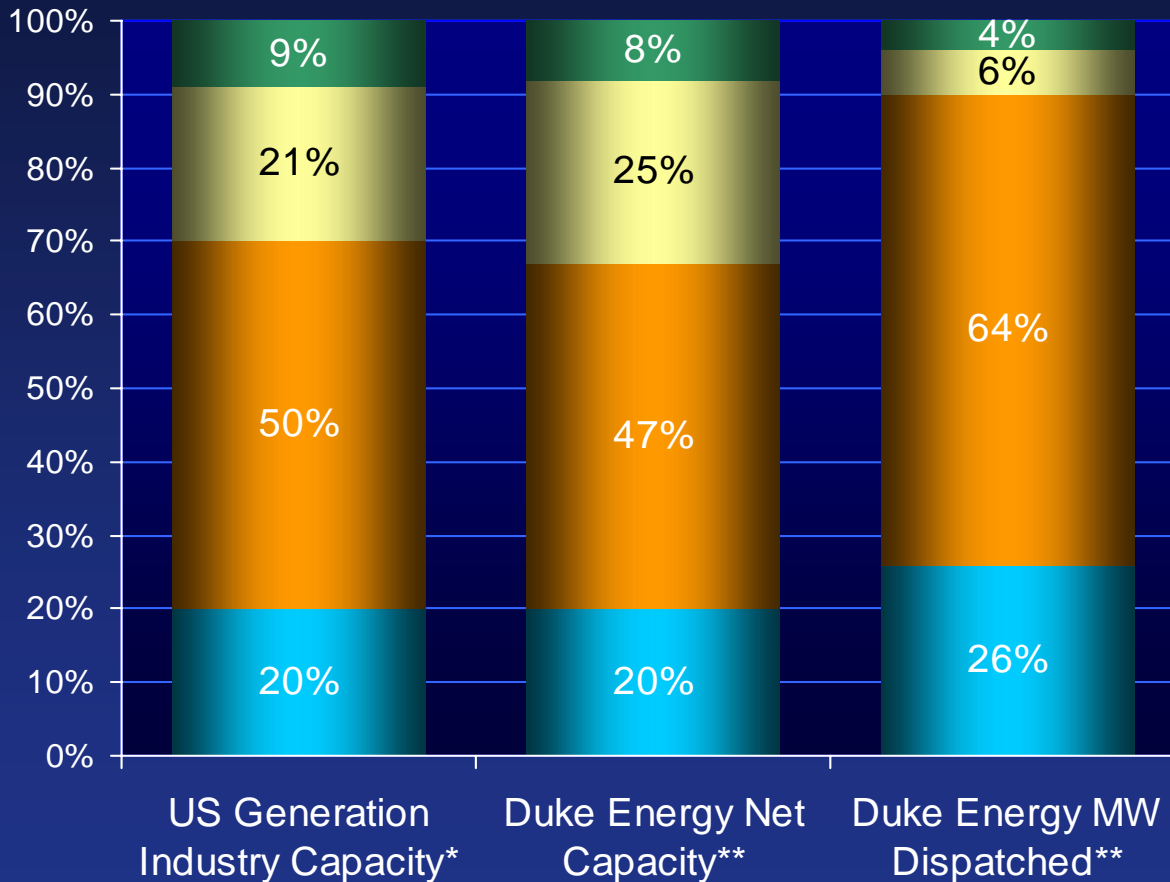
# 3 Key Energy Industry Challenges

1 Price increases

# Addressing Industry Challenges – Price Increases



## Comparison of Generation Fuel Mix



Duke Energy's diverse fuel mix mirrors the overall industry mix

- Other
- Natural Gas
- Coal
- Nuclear

\*Source: EIA

\*\*Includes DENA Midwest assets, does not include DiscOps assets

# 3 Key Energy Industry Challenges

- 1 Price increases
- 2 Growing need for infrastructure investment

# Addressing Industry Challenges – Investing in Infrastructure



## Re-investing in Power

- ◆ CapEx for 2006 is expected to be \$2.6 billion
- ◆ Modernizing and expanding older coal-fired units in the Carolinas
- ◆ Exploring replacing an aging coal plant in Indiana with a coal gasification plant
- ◆ Continuing to evaluate new nuclear plant in South Carolina for 2015 – 2016
- ◆ Environmental improvement program
  - Scrubber installation on coal plants
  - Indiana program approved for cost recovery

# Addressing Industry Challenges – Investing in Infrastructure



## Re-investing in Gas

- ◆ Over next three years, expect to spend approximately \$1 billion per year on CapEx
  - Split 50/50 between expansion & maintenance
- ◆ Long list of potential projects in development – focusing both on increasing market demand and shifting supplies
  - Maritimes & Northeast Pipeline Expansion to connect supplies from Repsol / Irving's Canaport LNG Terminal

# 3 Key Energy Industry Challenges

- 1 Price increases
- 2 Growing need for infrastructure investment
- 3 Delivering stable earnings & dividend growth

# Addressing Industry Challenges – Delivering Stable Earnings Growth



Our diverse mix of assets provides many opportunities for growth:

Organic Growth

*Ongoing, steady growth from home markets*

Productivity Increases

*Working to achieve full benefit of merger-related savings*

Project Development

*Building new infrastructure when we have customer & regulatory support*

Acquisitions

*Better positioned today for large and small acquisitions*

# Commitment to Investors

## 5 Key Commitments:

- ◆ Growing earnings and dividends over time



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- ◆ Growing earnings and dividends over time
- ◆ Achieving the full value of our portfolio
- ◆ Reinvesting in the business
- ◆ Developing a strong leadership team with a deep bench
- ◆ Delivering clear and transparent communications



# Value Proposition

## We are committed to:

- Long-term ongoing earnings growth of 4% - 6%
- Growing the dividend
  - ◆ Current yield at 4.5%
  - ◆ 70% payout target
- Improving our relative risk profile
  - ◆ Evaluating mix of businesses
  - ◆ Improving credit metrics

**Sum-of-the-parts analysis of our portfolio indicates our share price should be higher**



## **Regulation G: Non-GAAP reconciliations**

### **2006 Ongoing Segment EBIT, including Total Segment EBIT for North American Energy Infrastructure and Non-Infra-structure and Regulated and Nonregulated Operations**

The slides and prepared remarks for Duke Energy's June 1, 2006, presentation at the Sanford Bernstein & Co Strategic Decisions Conference include a discussion of forecasted ongoing EBIT for 2006 for Duke Energy's North American energy infrastructure operations (Gas Transmission, Commercial Power, Field Services and Franchised Electric) and non-infrastructure operations (International Energy and Crescent Resources), as well as Duke Energy's state and federally regulated operations (Gas Transmission and Franchised Electric) and nonregulated operations (International Energy, Crescent Resources, Commercial Power and Field Services).

These forecasted ongoing EBIT amounts are non-GAAP financial measures, as they represent 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 the forecasted ongoing EBIT amounts is segment EBIT, or total EBIT for the respective segments comprising the infrastructure and non-infrastructure operations and regulated and nonregulated 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.

### **2006 Earnings-per-share ("EPS") Incentive Target Measure**

The slides and prepared remarks for Duke Energy's June 1, 2006, presentation at the Sanford Bernstein & Co Strategic Decisions Conference include a discussion of the company's 2006 EPS incentive target of \$1.90. This EPS measure is used for employee incentive bonuses and is based on ongoing diluted EPS, adjusted for the actual vs. original anticipated impact of purchase accounting resulting from Duke Energy's merger with Cinergy Corp. Ongoing diluted EPS 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.

### **Long-term Ongoing Earnings Growth Percentages**

The slides and prepared remarks for Duke Energy's June 1, 2006, presentation at the Sanford Bernstein & Co Strategic Decisions Conference include a discussion of anticipated long-term ongoing growth percentages. These ongoing growth percentages are based on anticipated ongoing diluted EPS for future periods and are non-GAAP financial measures, as they represent diluted EPS from continuing operations plus the per-share effects of any discontinued operations from the company's Crescent Resources real estate unit, adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP 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 this non-GAAP financial measure 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.