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Please stand by. We're about to begin.

Good day, and welcome to the Duke Energy Franchise Electric Operations Investor Chat. Today's conference is being recorded.

At this time for opening remarks, I would like to turn the call over to Julie Dill, Vice President, Investor and Shareholder Relations. Ms. Dill, please go ahead.

Julie Dill - Duke Energy - VP Investor Relations

Good morning and thank you for joining us this morning. With me today is Ruth Shaw, President and CEO of Duke Power. In addition, Ellen Ruff, Group Vice President for Planning and External Relations and Myron Caldwell, CFO for Duke Power are also available to answer your questions.

In addition, today Ruth will discuss in today's call Duke Power's current performance and its outlook for near-term and long-term opportunities for the franchised electric business.

Before we start today let me read to you the Safe Harbor Statement.

Some of the things we will discuss in today's call concerning future company performance will be forward-looking statements within the meaning 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 and cautionary factors contained in our 2004 Form 10-K, 2005 first quarter 10-Q 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 will be made available on our investor relations website at: www.duke-energy.com.

Before I turn the call over to Ruth, I'd like to give you a quick update on where we stand on the regulatory filings associated with the proposed merger with Cinergy. As you are probably aware, applications have been filed in both Ohio and Indiana. Copies of these applications are available on the Duke Energy website under the publications section of the Merger Information Center. To date we have also filed a notice of application in Kentucky.

The next filings we expect to make are the SEC S-4, which is required prior to the proxy and the special shareholder meeting to vote on the merger, and the filing required by the Hart-Scott-Rodino Act.

Later in July, the applications for North Carolina and South Carolina as well as Kentucky will be filed, along with testimony for Ohio and Kentucky. All the state filings are expected to be approved around the end of 2005.

In the coming weeks, we will file the FERC 203 merger authorization and file for registration under PUHCA with the SEC. During the same timeframe, Duke Power will be filing for a revision to its Open Access Transmission Tariff, which Ruth will discuss in just a moment.

To date, we remain on track with the regulatory filings as discussed at the time of the merger announcement. It is our expectation that we will receive FERC approval in the spring of 2006, with SEC approval coming in the middle of next year.

With that, let me turn the call over to Ruth for her prepared remarks.

Ruth Shaw - Duke Power - President and CEO

Thank you, Julie, and good morning everybody. It's a pleasure to be with you again to update you on Duke Power Company. Duke Energy's announced merger with Cinergy has certainly created interest and excitement in the electric sector in recent weeks, and we look forward to working on the integration-- and to closing the transaction! In the meantime, there are many developments within Duke's franchised electric business that I think will be of interest to you.

In the Carolinas, we do not see retail competition on the horizon in the electric power sector. Therefore, Duke Power's strategy emphasizes three enduring elements of a strong, regulated business:

- Maximize profitable revenue growth
- Improve operational performance, and
- Maintain effective stakeholder partnerships.

This time-tested approach will enable us to build on our solid 2004 financial performance and to deliver stable earnings and strong cash flow, as we plan and invest for the future.

You know that the electric power business is capital-intensive, with significant regulatory impacts on earnings potential. After nearly twenty years which required little expansion capital, Duke Power is entering a period that will require investment in new baseload generation to serve our customers. It will also call for regulatory approaches that can create a "win-win" outcome for both customers and shareholders.

Although forecasted EBIT growth on our 2004 base is flat to 2% CAGR through 2007, we are focused on these three objectives. We are also strengthening relationships with customers, communities, employees and regulators, because we know that trusted relationships that can provide benefit to all parties are essential to our business success. For 2005, we expect to be on the low side of the EBIT growth range, particularly if the mild weather we have experienced year to date continues. But you can count on it: the Duke Power team is laying the foundation to move the needle on our EBIT growth.

One reason for growth in our earnings will be growth in our service territory. Our forecasts indicate an overall 1.5% annual sales growth over the next several years, with increases in all major customer segments. Duke Power is adding 40,000 to 60,000 new customers each year. And importantly, in May, our sales in the manufacturing sector grew for the 24th consecutive month. This represents the longest period of sales growth in the last 16 years. The diversity of our industrial base is also increasing, and the formerly dominant textile sector is a smaller part of the mix.

Part of the reason for the growth and for the increasing diversity is Duke Power's investment and leadership in economic development for the Carolinas. We see economic development as an essential aspect of "marketing" for a company whose growth is tied to its geography. The dramatic decline in the textile sector contributed

to a lengthy period of relatively flat sales in Duke Power, despite solid residential and commercial growth. Clearly, we needed to be fully engaged in state and regional efforts to promote expansion and to bring new manufacturers to the Carolinas.

We created a leadership team, conducted some research, and developed a strategy that targeted high-value manufacturing segments including: Motor Vehicles, Machinery Manufacturing, Pharmaceuticals, Plastics, Medical Equipment, Food Processing, and Fabricated Metals, among others. These segments build on the existing capabilities of the Carolinas, and they are valuable for Duke Power as well as for the prosperity of our service area. As you all know, manufacturing has a strong economic multiplier effect. For example, every \$1.00 in manufacturing goods generates an additional \$1.43 worth of additional economic activity -- more than any other economic sector. And every manufacturing job supports, on average, 2.5 to 3 jobs in other sectors.

We've expanded our internal capabilities in strategy, policy and execution of economic development. And I hope you will take a look at what is a world-class website, (you can see the site address on the slide), www.dukepower.com/ecdev to see what we've been up to. Duke Power has stepped into a strong leadership role and today serves as a catalyst for numerous state and local development efforts in the Carolinas. From the exciting automotive cluster that began with BMW on South Carolina's burgeoning I-85 corridor to North Carolina's acclaimed Research Triangle Park, with its expanding pharmaceutical and technology businesses, Duke Power is in the game, helping the Carolinas grow. (And I expect many of you did not realize that 95% of the Research Triangle Park, which has been a magnet for knowledge-based business, is in Duke Power's service area.)

Economic development is a long-term strategy, and a familiar one to electric utilities. It takes sustained effort -- and a solid set of regional capabilities to build on. It is early to claim victory, but there certainly are some signs that our efforts are making a difference. Significant recent wins include: Dell, a significant Merck Corporation, Citi Card, Weil McLean, Silver Line Windows and Unilin. And we have a full pipeline of projects that we are working.

We're just as focused on providing value to our existing customers as we are to attracting new industry. The principal contributor to that value is rates that are about 21% below the national average and fuel costs that are significantly lower than other regional utilities. Duke Power's base rates have not increased since 1986 and the fuel diversity of our generation helps keep our customers' fuel costs low. This is a simple slide --and a powerful story of cost management and focus on the customer.

Now as we anticipate this growth, the planning horizon for new baseload generation is a long one, and we are now taking the initial steps to assure that we meet the Carolinas' growing demand for electricity over the next 10 to 15 years in ways that are both economical and environmentally responsible. Duke Power has not added any baseload capacity since the completion of the Catawba Nuclear Station in 1986. Since '86, we've increased capacity factors, made incremental upgrades, and purchased power to meet electric demand. With the modest sales growth during much of this period, these strategies served us well. But after twenty years, the load growth is outstripping our capacity to meet it with these strategies.

Our 2004 Integrated Resource Planning Process has identified the need for over 4,000 megawatts of new capacity by 2015, which is a 20% increase over Duke Power's current capacity. This need for

future capacity could be met by a combination of purchased power, intermediate and peaking capacity, as well as new baseload capacity in the form of coal or nuclear generation.

We're currently working on the 2005 Integrated Resource Plan. It will take into consideration updated load forecasts, capacity upgrades made to existing generation, environmental requirements, revised projections of purchased power costs, new generation construction costs and updated fuel and fuel transportation forecasts. We are also evaluating the responses to our recent RFP for peaking and intermediate power needs, and will choose the optimal approach for Duke and for our customers.

Now the specifics of our generation plans are being refined through the Integrated Resource Planning process, and we have announced a number of preliminary steps toward building new generation. Our objective is to keep several options open and available, and then ultimately exercise the options which will provide the best benefits for our customers and shareholders.

In May we filed preliminary information in support of a "Certificate of Public Convenience and Necessity" with the North Carolina Utilities Commission so that we could potentially modernize and expand our Cliffside and Buck steam stations. We have a similar filing planned in South Carolina.

A potential Cliffside Steam Station upgrade includes an efficient 800-megawatt coal unit that could be online as early as 2010 at an estimated cost of \$1.1 billion. A second 800-megawatt unit is possible based on customer growth and the costs and schedules for other generation options. This unit is forecast to cost about \$900 million.

Potential modernization at Buck Steam Station would include a 600-megawatt natural gas and oil-fueled combined-cycle unit representing an estimated \$350 million dollar investment. The results of our current RFP to purchase power will help us determine whether to build at Buck or to buy intermediate capacity.

Regardless of any modifications or additions, our system will comply fully with North Carolina's Clean Smokestacks legislation, with South Carolina environmental requirements, and with all Federal standards. We will comply with the system emission caps by retiring older, less efficient units, by installing additional emission controls or doing both.

Now, on the nuclear front, we are believers in the long-term busbar cost advantages offered by nuclear technology. Nuclear does not emit air pollutants or greenhouse gases, and we believe public support for use of nuclear is growing. We also think it is possible to satisfy the conditions for new nuclear construction in this country. Thus we're proceeding with plans to apply for a combined Construction and Operating License or "COL" application to build a new nuclear plant in Duke Power's service area. Now our objective is to maintain the option to build a nuclear plant by proceeding through each step in the licensing and design process. And obviously a number of criteria must be met before we are through these steps.

As I mentioned earlier, Duke Power retail customers enjoy the benefit of low base rates and low fuel costs – thanks in part to our diverse generation mix.

We compare very favorably against other electric generators when it comes to low cost energy sources. In Duke's generation mix, nuclear represents 28% of capacity, and hydro, 16%. Our

combined nuclear and hydro capacity of 44%, compared to 27% across the nuclear industry.

We're also well positioned (literally) in the bulk power market. Our portfolio includes low cost nuclear, hydro and some of the nation's most efficient coal plants. That strength allows us to take advantage of our southeastern location – right between large energy markets in the Northeast, Midwest and Florida. Bulk power sales will continue to be an important part of our business strategy, whenever we have excess capacity or energy that is not required by our native load customers.

We plan to add future generation that will maintain Duke Power's current competitive advantage, fuel diversity, low rates and high reliability. Those who went before us planned and built well, and the assets have served customers and shareholders exceptionally well. We intend to meet that high standard.

Now a mainstay of the Duke Power strategy involves finding ways to reduce costs and increase productivity while we maintain high customer satisfaction levels.

This commitment to operational excellence has resulted in a 7% reduction in Non-Fuel O&M Costs per MWH sold since 1999 and has allowed us to achieve high customer satisfaction levels while our headcount declined 13% over the same period. But we will never sacrifice safety for productivity. We are committed to our charter's pledge to industry leading safety performance, and our results are showing marked improvement. We also understand the value of our people. While we've achieved productivity gains, we are well aware that it's the unique skills, qualifications and creativity of our people that create these gains. And as many of our "Baby Boomer" employees look toward retirement, we are

working hard to transfer their wealth of knowledge to the next, and likely very different, generation of worker.

Now moving to a different type of "generational issue", I can always brag a little about our power generation strength. One key to our success is our very high quality generation performance and that diverse fuel mix. In fact, Duke's Belews Creek and Marshall coal-fired stations continually rank among the nation's most efficient power plants. On the generation side it is very popular these days to talk about operating your generating plants as a fleet, as though it's a new idea. At Duke we've been operating our plants as a fleet long before the term became popular, and we continue to find ways to improve.

Speaking of improvements, we're gratified by our top decile transmission and distribution reliability, but we continue to push even harder to improve quality for our customers. We have increased investments in reliability improvements on our power lines -- stepping up our tree trimming schedules and adding and upgrading lines and transformers. We've been applying innovative technologies, such as mobile meter reading, that improve service and increase productivity. This year, much of the announced \$50 to \$100 million of incremental capital will be invested in reliability and integrity projects to better serve our customers.

And that focus on the customer is being recognized. In March, J.D. Power released the results of its 2005 Business Customer Satisfaction Study of electric utilities. Duke Power ranked among the top – number 4 out of 53 participating utilities across the nation. This is a nice continuation from 2004, when we received four industry awards for excellence in customer service operations. To take service even further, we recently started an **"I Can Help!"** initiative that makes it easier for employees, for contractors and for

retirees to take ownership of customer situations and report customer problems.

We've also recently resolved a number of operational uncertainties including re-licensing of our nuclear plants for operation over the next several decades. This ensures long-term stability and helps us continue to provide competitive rates in the Carolinas.

On the environmental front, on June 15, the U.S. Fourth Circuit Court of Appeals affirmed an earlier ruling from the U.S. District Court of North Carolina in favor of Duke Energy in the U.S. Environmental Protection Agency's Clean Air "New Source Review" litigation. I think the court's action supports the fact that our company has -- for decades -- understood and lawfully complied with the requirements of the NSR program.

From an operational standpoint, our diverse generation mix, operating practices and state of the art technology allow us to keep emissions of SO₂ and NO_x well below the industry average, below Federal standards, and below even stricter North Carolina requirements.

Specifically for fossil, in 2004 we completed a \$450 million selective catalytic reduction -- or "SCR" -- project that reduced nitrogen oxide emissions at Belews Creek by 80 percent.

In conjunction with the North Carolina Clean Smokestacks Act, we're also committed to investing at least \$1.5 billion to reduce the emissions of our most efficient coal plants so they can operate well into the 21st century. In May, we broke ground at our Belews Creek Steam Station on a project to reduce sulfur dioxide emissions by 95 percent. The project is expected to cost approximately \$500 million. It joins our Marshall Station in a

series of projects to install sulfur dioxide "scrubbers" at four of our North Carolina coal plants.

By extending the lives of our nuclear plants and by assuring that our fossil plants can meet more stringent air emissions requirements, we'll continue to deliver value to our customers, shareholders and the communities we serve.

Now let's focus on our regulatory strategy. We often talk about creating win-win solutions - wins for our customers and wins for the shareholders and the business itself. We've worked closely with regulators in North and South Carolina on just these kinds of approaches.

The innovations of the North Carolina Clean Smokestacks Act and Bulk Power Marketing Profit Sharing would not have been possible without their commitment to finding constructive solutions for all the parties. We will be working WITH them to develop our future regulatory approach that will also be a win-win solution.

We are also working collaboratively with customers and other stakeholders to achieve similar solutions in re-licensing our 31 dams on the Catawba River system and on transmission planning. Both of these efforts involve listening to customers and finding ways to improve the process and the results in areas critical to their interests.

For example, there are two efforts underway to increase transparency for stakeholders in the transmission planning process. One effort involves stakeholders in North Carolina, and the other involves balancing both FERC and state issues. The North Carolina effort focuses on facilitating joint transmission planning among all load serving entities served by Duke or Progress Energy in North Carolina. There is a multi-organization working group

that is currently evaluating bids from independent third parties to facilitate this process.

The other effort is Duke-specific, and it is focused on developing an assignment of transmission function responsibilities among Duke and independent entities that is acceptable to FERC, to our state commissions and to our customers. Stakeholder meetings were held on April 1 and on June 15 to gather input prior to our July filing at FERC.

Now, anticipating the end of the rate freeze period in North Carolina, we have already developed a plan for the post-2007 period that will bring significant value to Duke Power customers and shareholders alike. We will be working with regulators and other stakeholders to include their views and to implement the resulting plan for the benefit of the Carolinas.

As we begin working with our stakeholders, we will propose a strong and comprehensive strategy. The strategy addresses total cost to customers - both fuel and base rates; it illustrates the long-term demand for new generation. And it explores incentives for new technology. For these significant investments to be made, investors must have confidence in a fair return.

Now in closing, let me state what I hope is now obvious. Duke Power is uniquely positioned to deliver. The Carolinas are experiencing solid 1.5% sales growth and an inviting business climate.

Duke Power is a leader in improving the scope and diversity of our industrial base through successful economic development efforts.

Our efficient operations and geographic location position us very well to sell excess power off system in the Northeast, Florida and Midwest markets.

Duke Power's commitment to building and maintaining strong relationships with regulators and communities is reaping great rewards.

We have the right portfolio to excel in diverse market conditions. Our generation mix helps insulate customers and investors against fuel volatility and the financial impact of future environmental regulations.

Our teammates have the right capabilities to translate new assets into competitive opportunities.

And finally, we believe our strategy of customer growth, asset investment planning, regulatory efforts and strong operations are key to delivering long-term earnings growth.

Now, Myron, Ellen and I are happy to take your questions, and I thank you for your time and interest in Duke Power, and for investing in Duke Energy.

QUESTION AND ANSWER

Operator

Thank you. The Q&A session will be conducted electronically today.

We'll take the first question today from Paul Patterson, Glenrock Associates.

Paul Patterson - Glenrock Associates - Analyst

Good morning, can you hear me?

Ruth Shaw - Duke Power - President and CEO

Yes.

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

Yes.

Paul Patterson - Glenrock Associates - Analyst

I wanted to ask you what your most recent ROE was, at Duke Power, your regulated ROE that you report to the regulators. And what you see that doing going through the rate freeze period?

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

This is Ellen Ruff. I think we reported in the area of roughly 12.8%, it was below 13%.

Paul Patterson - Glenrock Associates - Analyst

OK.

Ruth Shaw - Duke Power - President and CEO

In North Carolina.

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

In North Carolina, I'm sorry.

Paul Patterson - Glenrock Associates - Analyst

OK, in North Carolina. Do you have it for South Carolina?

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

South Carolina, it was below the allowed return of 12.25%. It's roughly 12% or 12.1%, I think.

Paul Patterson - Glenrock Associates - Analyst

OK, now you see sort of, flattish kind of growth. And you've got some CapEx that's going to be happening now. And of course you have some depreciation. So I'm just wondering, what's your

outlook for that ROE considering that you're having sort of, flattish kind of growth? What do you expect to happen there, going forward to this rate freeze period, I guess.

Ruth Shaw - Duke Power - President and CEO

Paul, unfortunately I just can't give you a projection on that at this point.

Paul Patterson - Glenrock Associates - Analyst

OK, then on slide 8, what I wanted to ask you there was I just wanted a sort of a clarification here. Looks like load growth through 2006 was kind of flattish. And it also looks there is a, sort of decline in the existing Duke generation for about 19,000 megawatts through 2010 or something like that.

I was just wondering if you could explain, sort of, why for the next couple of years you see load growth sort of, being flattish and then rising. And I'm sorry if I missed that. I just wasn't clear on what happened there. And what's causing existing Duke Generation to go down?

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

Paul, this is Ellen Ruff. What we have is a number of purchase power contracts that are in place that are falling off during that period of time. And so it looks relatively flat. You can see the existing purchase power contracts are falling off. Demand side management, the same thing we have some old CT's, I think that are producing less during that timeframe.

Paul Patterson - Glenrock Associates - Analyst

OK, so the CT's are being reduced?

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

Yes.

Paul Patterson - Glenrock Associates - Analyst

OK, and then why is load growth flattish through 2006? It seems to me obviously that you've got, the straight line that goes up, but in the early years, it doesn't seem like it's doing very much. I was just wondering if you could just elaborate a little bit on that.

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

It just has been as the numbers have shown with weather and load growth and textiles falling off. What we see is some of that growth coming back during that period and then moving on up with the textiles are being replaced. It actually has a pretty solid load growth in the areas of the residential and the small commercial; small commercial having improved, textiles going down. So they've offset each other.

Ruth Shaw - Duke Power - President and CEO

And an interestingly enough, Paul, the load forecast and the rate of increase, in our service territory we've looked at what's in the integrated resource plans of other electric utilities in the region. And I think your economic forecast are all telling us pretty much same thing. We've come out of this period of the plan that had a very significant impact, probably more so in air service territory more so, than others.

But this sort of rate of demand and the economic indicators that we are looking at across the region are fairly consistent. Some companies have a greater supply than we do right now; a strong reserve margin. But we're seeing similar kinds of demand forecast.

Unidentified Audience Member

OK, thank you very much.

Operator

We'll take our next question from Hugh Wynne, Sanford Bernstein.

Hugh Wynne - Sanford Bernstein - Analyst

Hi. As you move into a period of expanding rate base, you mentioned that you might have to increase your capacity by some 20% by 2015. Absent a reduction in ROE's, presumably there would be some upward pressure on rates, when your rate freeze expires at the end of 2007, I believe it is.

I was wondering if you could remind me of the schedule on the regulatory side of when rates would be reviewed, when the process of establishing the allowed ROE post freeze and North Carolina would begin. And what expectations if any, seem to be forming on the part of regulators regarding allowed ROE's in the post freeze period.

Ruth Shaw - Duke Power - President and CEO

Ellen Ruff is very much our regulatory guru of Duke Power Company. So I'm going to ask Ellen to field that one.

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

I think that's been the oldest crack in the block in terms of regulatory. What we are anticipating is, and already preparing for, I think as Ruth noted in her remarks. With the end of the freeze, being in 2007, our obligation at least at that point is to have amortized 70% of the \$1.5 billion in terms of Clean Air amortization costs. We would have an opportunity at least at that point to open it up if we were to go in, at the end of the 2007 rate freeze period to either look at ROE or take other steps that we might take. And also to deal with what additional costs we might have that weren't amortized in the Clean Air front.

We have been looking very closely at that. And frankly we think in general rate cases themselves being proposed are not the most productive way to pass on benefits to customers. So we are working hard on both cost efficiencies and different methods, if you will, of handling operational efficiencies and passing benefits on to both customers and to the shareholders.

So I think at this point we can't really anticipate not knowing where interest rates will go. Whether or not we would actually have a rate case at the end of '07. We are not anticipating at that moment, we are always prepared for it, if we need to have it. But our goal will be to propose an alternative approach to that following the end of '07 and really in both North and South Carolina.

Hugh Wynne - Sanford Bernstein - Analyst

You could accommodate I believe, a reduction in rates simply by forgoing the recovery of the accelerated amortization of your environmental CapEx? Or is that an expense that's going to continue beyond 2008?

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

One would never wish to forgo the substantial sum to recover in some form. And we would have options as to whether or not we would have to continue to amortize those, keeping the rates flat, where they are which would involve perhaps continuing the freeze or finding a different way to recover those. Legislation permits flexibility with regard to that.

Hugh Wynne - Sanford Bernstein - Analyst

Ok. And the whole process would tee up at the beginning of '07 or earlier than that?

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

Well I think you'd always have to prepare for it before '07. You wouldn't want to come to the cliff. So there will be work before that.

Hugh Wynne - Sanford Bernstein - Analyst

OK, all right. Thank you very much.

Ruth Shaw - Duke Power - President and CEO

Thank you.

Operator

Up next we'll hear from Devin Geoghegan of Zimmer Lucas Partners.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

Hi, thanks for the time today. I just wanted to revisit the ROE that you mentioned. I just wanted to get an understanding when you calculate the 12.8%, what rate base and capital structure you are using?

Ruth Shaw - Duke Power - President and CEO

Now I will let Myron answer. He ha's been silent down here. We'll call on him.

Myron Caldwell - Duke Power - CFO

The rate base that we have in place currently in Duke Power is approximately \$9.5 billion. We have a capital structure that is imputed in North Carolina. It's in the low 50's in terms of percent of common equity. And then in South Carolina we have a capital structure as well that's calculated little differently that would be in the 50's in terms of the percent of the common equity for that capital structure.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

Because it looks like the actual capital structure of the utilities, if you just treat the contingent convertibles as debt, it's like 40, low 40's equity. So do you think when you file in 2007, that they'll maintain that imputed capital structure?

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

This is Ellen Ruff. I think we are certainly working towards a balance of cap structure. We'll just have to consider that, at that point in time whether or not the Commission will want to continue the imputed cap structure or not. We will have to revisit that in light of the activities between now and the end of the freeze. But we are pretty comfortable with looking at somewhere in the low 50's by the end of the freeze. And would expect the Commission would be as well.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

And then the final question is, how much of the corporate overhead are you allowed to allocate down? There is a discrepancy between, I guess between the FERC form and the 10-Ks versions. I think it's somewhere around a \$100 million of overhead that you're allowed to allocate them?

Myron Caldwell - Duke Power - CFO

I don't know the specific numbers related to that.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

OK, I'll follow up later. Thank you.

Ellen Ruff - Duke Power - Group VP for Planning and External Relations

We do have an allocation factor, that is approved in North Carolina and we follow as well in South Carolina. So the Commission does know precisely the percentage that we are allocating from corporate. I don't know what the exact figure is, but we can get that for you.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

Thank you, I'll follow up later. Thank you.

Ruth Shaw - Duke Power - President and CEO

Thank you.

Operator

We'll take the next question today from Daniele Seitz of Maxcor Financial.

Daniele Seitz - Maxcor Financial - Analyst

Good morning. I just was wondering, you mentioned some nuclear construction potential. Nuclear construction, just could you sketch what you are thinking about in terms of timing and potential cost, just to give us a along term picture?

Ruth Shaw - Duke Power - President and CEO

Surely. And again we are very short of specifics at this point. As you know, nuclear is typically long time on the runway up to a decade. And our timeframe is to make a decision about a potential site during 2005, to make a decision about potential size of the nuclear construction in 2005. Again, based on our updated 2005 Integrated Resource Plan. And once that's identified, to continue in the steps to pursue the COL.

Obviously there are other issues that have to be addressed before we firmly commit to going down that path. Obviously the need for a long-term waste storage solution is important to us, and to every other nuclear operator in the country. The need to have a firm technology, new reactor design approved and to have confidence in the regulatory process, that we will not have uncertainties that create delays or increase costs.

So there are a number of those factors that have to be satisfied as well. But we do not envision, under a scenario in which all of these items are satisfied. We do not envision having new nuclear capacity online, before the 2014/2015 timeframe.

Daniele Seitz - Maxcor Financial - Analyst

And at this time, I guess it is too early to talk about costs?

Ruth Shaw - Duke Power - President and CEO

It is too early to talk about cost. That stands on a number of factors that are unknown to us at this point. We have done some of our initial economics. And that's set out in a paper, that our Chief Nuclear Officer presented at a conference earlier this year. Based on our experience with nuclear over the long haul and our anticipation of some of the economics of the new technologies, we think it's going to be very competitive over the long term over generation sources.

But beyond that I really can't tell you. There are still some unknowns out there.

Daniele Seitz - Maxcor Financial - Analyst

Just one last question. Regarding the core plan that you are planning for 2010, would you ask the regulator in advance for an

understanding regarding a return on that particular construction by itself in advance of any construction?

Ruth Shaw - Duke Power - President and CEO

Well obviously, in working with the regulators, we are going to be working with them taking into account the full picture of the events that are affecting Duke Power and its customers, including the need for this new generation. One of the biggest issues is going to be both some kind of confidence level, in what return will be allowed and another is the point at which you'll be able to earn on your capital investment. And we'll be having conversations with the regulators on both of those points.

Daniele Seitz - Maxcor Financial - Analyst

Great, thanks a lot.

Ruth Shaw - Duke Power - President and CEO

Thank you.

Operator

We'll go next to Paul Debbas, Value Line.

Paul Debbas - Value Line - Analyst

Thanks, my question has been answered.

Ruth Shaw - Duke Power - President and CEO

Good. Fine.

Operator

Up next we'll hear from Dan Jenkins, State of Wisconsin Investment Board.

Dan Jenkins - State of Wisconsin Investment Board - Analyst

Good morning. Hi. I've got a couple. First, just a follow up on your answer about the nuclear. You mentioned that you were looking to come up with a potential site this year. Would that most likely be where you currently have a nuclear plant or would it be a green field?

Ruth Shaw - Duke Power - President and CEO

We are looking at both brown field and green field sites. But in fact I think both the new technologies and the new security requirement in our particular territory will make it more difficult in a brown field situation. But we are exploring all the options. It's a big decision in terms of your future costs. And we are looking at both.

Dan Jenkins - State of Wisconsin Investment Board - Analyst

OK. Then next, I was wondering if you could talk a little bit about what impact any carbon regulation might have on your plans for construction going forward?

Ruth Shaw - Duke Power - President and CEO

Well, I think, as you've heard, that our fundamental strategy is to preserve the diversity in the fuel mix. And obviously with nuclear you have no carbon emissions whatsoever. With the fossil fuels you do.

Our view is really based on some practical realities. We believe that given the abundance of coal in this country, the need for energy independence and with the improvement in the technologies to reduce emissions that will be able to operate fossil plants cost effectively, and again in a way that's environmentally responsible.

Some of those choices are going to depend very much on the type of action that is taken in regard to carbon. Whether the focus is on a cap and trade, whether it's a carbon tax to drive down emissions. So some of that is unclear. But we believe that the overall diversity of our fuel mix is going to certainly enable us to continue to build new fossil plants in this timeframe.

Dan Jenkins - State of Wisconsin Investment Board - Analyst

OK, and then last, I was just wondering, if you have any update on what CapEx for like '05 and '06 and maybe over the next 5 years?

Ruth Shaw - Duke Power - President and CEO

It's really going to be roughly the same in the near term. The planning horizon that we've described is going to be roughly the same. We have some opportunities for incremental investment particularly in our power delivery segment. But those would be the only impact and they would be on our ongoing base of \$1 billion or so. Not of great consequence in the near term.

Dan Jenkins - State of Wisconsin Investment Board - Analyst

OK, thank you.

Operator

And at this time there are no further questions. I'll turn the conference back over to our speakers for any additional or closing remarks.

Julie Dill - Duke Energy - VP Investor Relations

I just would like to thank everyone for joining us this morning. As always, we are available, my team and I are available to take your questions and follow up. And we want to thank Ruth and her team for her time this morning. And wish you all a good day. Thank you.

Ruth Shaw - Duke Power - President and CEO

Thank you.

Operator

And once again, that does conclude today's conference. We would like to thank you all for your participation. Have a great day. You may now disconnect.