

# The Wall Street Analyst Forum's 18th Annual Institutional Investor Conference

August 16, 2007



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Policy & Regulatory Officer**

# Forward-looking Information and Regulation G

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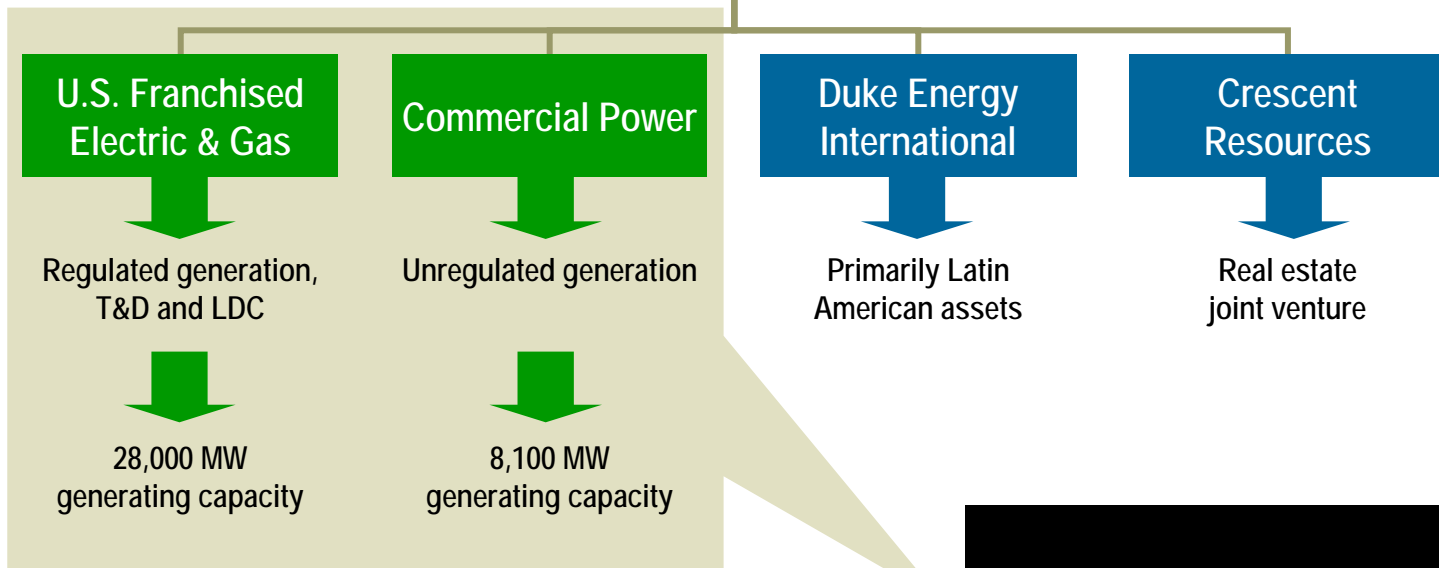


Some of the statements in this document concerning future company performance will be forward-looking within the meanings of the securities laws. Actual results may materially differ from those discussed in these forward-looking statements, and you should refer to the additional information contained in Duke Energy's 2006 Form 10-K filed with the SEC and our other SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.

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).

# Overview and Update on Key Regulatory Initiatives

# Low-risk Business Profile



Update on NC Rate Review and Ohio RSP

~85% of forecasted 2007 ongoing total segment EBIT derived from regulated customers in 5 states

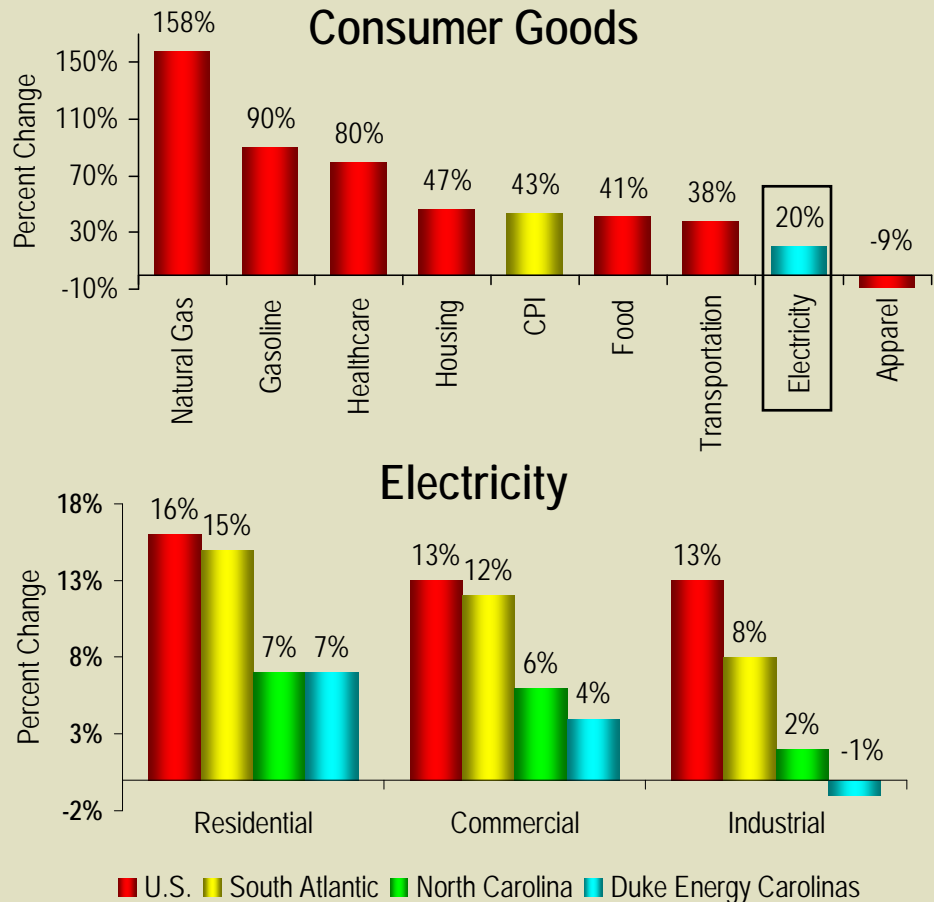
\* Ongoing total segment EBIT excludes Other

# North Carolina Rate Review



- Required by NCUC as part of merger approval
- First general rate review in NC in 16 years
- Current prices approximately 20% below the national average and the lowest in NC
- Filed for a \$140 million dollar rate increase
  - 12.5% ROE / 53% equity ratio
- Proposed to include Clean Air expenditures in excess of \$1.5 billion in rate base
- Requested rate increase addresses rate parity
  - Residential: 6.8%
  - General service and industrial: 2.0%
- Plan to maintain the BPM sharing mechanism
  - 50/50 provides reasonable incentives
- Commission's order expected late 2007, effective 1/1/2008

## 1991-2005 Cost Increase / (Decrease) – Nominal Dollars



Sources: U.S. Department of Labor, Bureau of Labor Statistics, U.S. Department of Energy, Energy Information Administration (EIA) and Edison Electric Institute

# Ohio RSP



- Pursuing two-track approach: Settlement and legislative solution
  - Legislative solution
  - Long-term RSP extension settlement
- Assure adequate generation to meet growing demand
  - No new regulated generation added since 1991
  - Immediate need for 1,500 MW
  - Need for additional 900 MW by 2013
- Key principles for legislation and settlement
  - Maintain market-based generation pricing option
  - Ensure reliable recovery mechanisms for new plants
  - Assist with economic development and job retention
  - Encourage economically viable alternative energy products, energy efficiency and demand response programs
  - Maintain predictable prices for customers RSP expires in 2008

# Alternative Energy / Environmental Strategy

# Emerging Industry Trends

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- **Carbon Constraints**
  - Legislation on CO<sub>2</sub> emissions (in one form or another) is likely within 5 years
- **Energy Efficiency**
  - Investments in energy efficiency will gain importance as climate change concerns and the cost to build new generation continue to increase
- **Renewable Resources**
  - Climate change concerns will also spur renewable portfolio requirements
- **New Technology**
  - New methods and equipment will emerge to produce cleaner electricity and more efficiently manage our grid

# Carbon Policy



- Duke Energy is a founding member of United States Climate Action Partnership (USCAP)
- Reduce CO<sub>2</sub> emissions without damaging our economy
  - Market-based cap and trade mechanisms
  - Economy-wide approach
  - Reasonable and achievable targets
  - Safety valve (or similar protection against volatility)
  - Provide allowance allocations that are fair for all regions and economic sectors
    - Patterned after acid rain legislation
    - Based on historic CO<sub>2</sub> emissions
  - Support advances in technology

# Energy Efficiency: The Save-a-Watt Model



- The “Fifth Fuel”
  - Should be treated on par with supply-side energy options
  - Helps customers meet energy needs with less electricity and environmental impact
- Duke Energy is well positioned to provide universal access to energy efficiency services and new technology
- Duke Energy would be compensated similarly for meeting customer demand, whether through saving a watt or producing a watt
  - Customer rates will include 90% of avoided costs
  - Providing the company with the financial incentive to treat energy efficiency as a line business and produce save-a-watts
- Producing a portion of needed capacity and energy to meet our customers' energy requirements with zero emissions

# Renewables: Strategic Overview



- Future renewable portfolio standards and carbon legislation are inevitable
- As a company, we are:
  - Evaluating renewable options in our jurisdictions
    - Carolinas RFP
    - Primarily wind and biomass
  - Promoting voluntary customer option to support renewable energy
  - Assessing the impact of renewable mandates outside our jurisdictions
- RPS should be state-focused, not federally mandated
- Key components
  - Energy efficiency as an option
  - Cost recovery
  - Compliance flexibility
  - Limits on a customer's electric bill increases

# Renewables: N.C. Legislation

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- Balanced approach to meeting future N.C. energy needs
- Establishes renewable portfolio standard to be phased in
  - 3% by 2012 ...12.5% by 2021
  - Allows cost recovery for energy efficiency
- Provides cost recovery for:
  - Environmental re-agents
  - Energy component of purchased power
  - Renewables (subject to an annual cap)
- Gives NCUC enhanced authority to grant recovery of financing costs for new power plants during construction
- Passed by N.C. General Assembly; awaits decision from the governor

# Renewables: Wind Energy



- Market overview: U.S. wind market presents an attractive growth opportunity
  - Projected growth from ~12 GW in 2006 to ~50 GW by 2015
  - Market still fragmented with many undercapitalized participants
- Duke Energy wind strategy:
  - Acquire foothold and develop expertise
  - Expand project development and origination capability
  - Focus on projects with favorable and steady cash flows
- Duke Energy acquired wind development assets of Tierra Energy
  - 240 MW of late-stage development projects to come on-line by 2009
  - Additional option for approximately 1,000 MW of renewable energy assets in the western and southwestern United States
- Continuing to assess additional late-stage development projects

# New Technologies

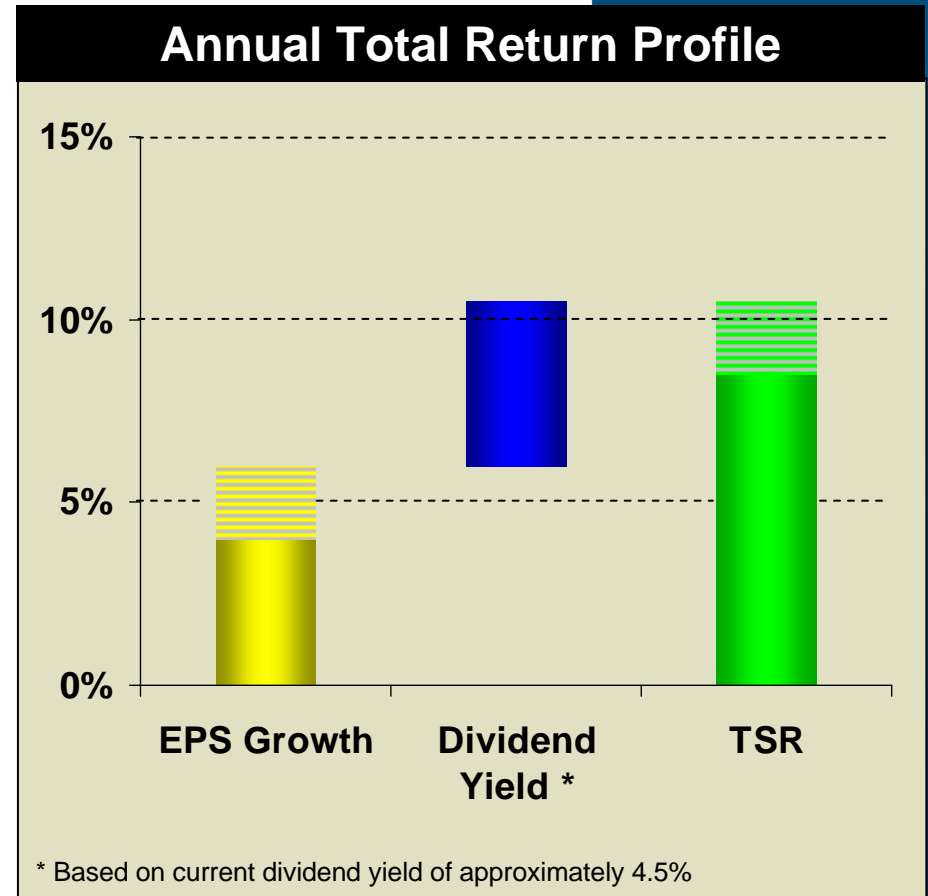


- **Carbon capture and sequestration**
  - Duke Energy Kentucky is testing carbon capture at its East Bend Station
  - Duke Energy Indiana is exploring carbon capture and sequestration at its proposed Edwardsport IGCC Plant
- **Next generation of nuclear power**
  - Duke Energy Carolinas is pursuing new nuclear generation in South Carolina
- **“Utility of the Future”**
  - “Smart grid” technology initial deployments planned for all of our jurisdictions
  - Will enhance the reliability and efficiency of our utility distribution system

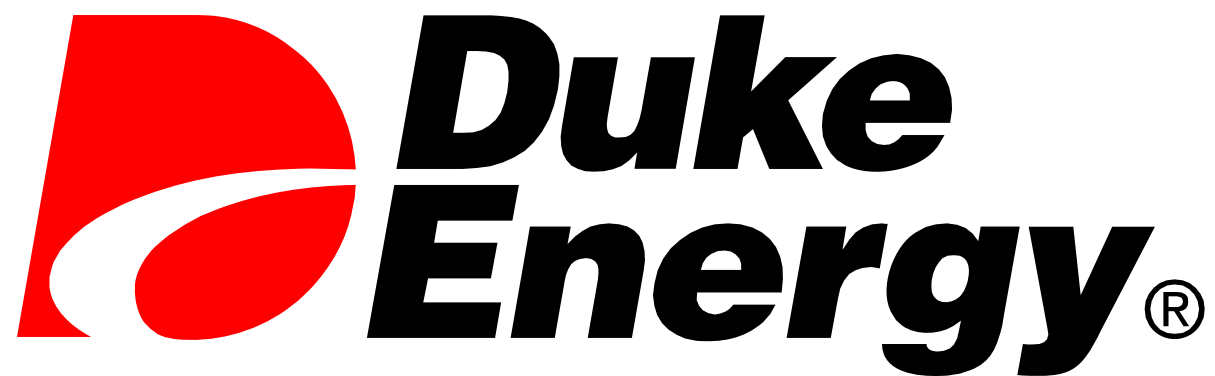
# Value Proposition



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



# Questions & Answers



**Duke Energy Corporation**  
**Non-GAAP Reconciliations**  
**Wall Street Analyst Forum's Institutional Investor Conference**  
**August 16, 2007**

**2007 Employee EPS Incentive Target Measure**

The materials for Duke Energy's August 16, 2007 presentation at the Wall Street Analyst Forum's Institutional Investor Conference reference management's current belief that, given the results for the six months ended June 30, 2007 and with normal weather the rest of the year and a continuing focus on operations and cost management, Duke Energy is in a strong position to exceed the company's 2007 employee EPS incentive target of \$1.15. The EPS measure used for employee incentive bonuses is based on ongoing diluted EPS. Ongoing diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast special items for future periods.

**Ongoing Diluted EPS Growth Rates through 2009**

The materials for Duke Energy's August 16, 2007 presentation at the Wall Street Analyst Forum's Institutional Investor Conference reference the expected range of growth in ongoing diluted EPS through 2009. These percentages are based on anticipated ongoing diluted EPS amounts for future periods. This ongoing diluted EPS measure is a non-GAAP financial measure as it represents diluted EPS from continuing operations, 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, and related growth rates, for future periods, information to reconcile such non-GAAP financial measure to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast any special items for future periods.

## **Forecasted 2007 Ongoing Segment EBIT**

The materials for Duke Energy's August 16, 2007 presentation at the Wall Street Analyst Forum's Institutional Investor Conference reference the forecasted 2007 ongoing EBIT from the company's sales to regulated customers in the U.S. Franchised Electric and Gas and Commercial Power segments as a percentage of forecasted 2007 ongoing total segment EBIT. Forecasted 2007 ongoing segment and total segment EBIT amounts are non-GAAP financial measures, as they reflect segment and total segment EBIT, adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for forecasted ongoing segment EBIT is reported segment EBIT from continuing operations, which includes the impact of special items. The most directly comparable GAAP measure for ongoing total segment EBIT is reported total segment EBIT, which includes the impact of special items. Due to the forward-looking nature of these non-GAAP financial measures for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures is not available at this time, as management is unable to forecast any special items for future periods.