

*September 17, 2007*



Framing the Future

Bank of America 37<sup>th</sup> Annual  
Investment Conference

Jim Rogers

Chairman, President and Chief Executive Officer

# 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'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.

## 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).

# Ongoing Earnings and Dividend Growth

- 5–7% ongoing diluted EPS growth through 2012 from 2007 base\*
- Earnings growth from:
  - Capital re-investment
  - Execution of regulatory initiatives
  - Growth in our non-regulated businesses
  - Continued focus on cost control
  - Customer sales growth
- Annual dividend growth
- No anticipated equity offerings through 2012 excluding internal plans e.g., Dividend Reinvestment Plan (DRIP)

*\* Based on 2007 employee incentive target of \$1.15 ongoing diluted earnings per share*

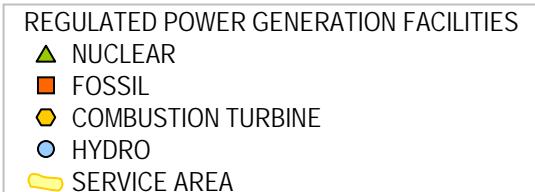
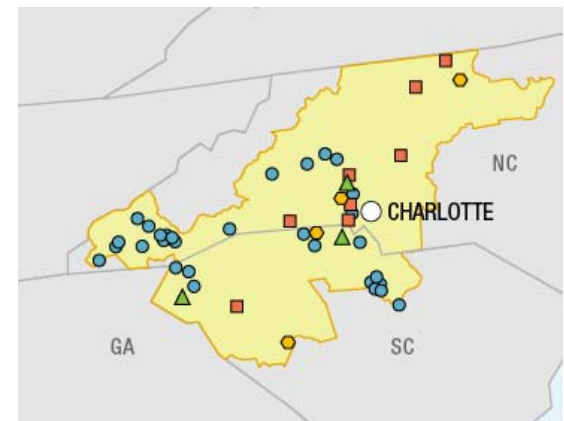
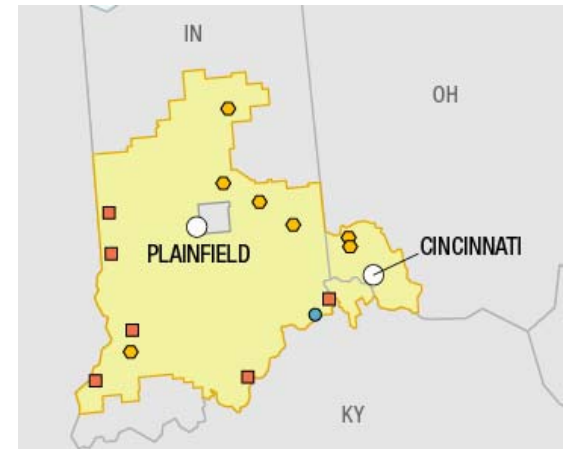
# Overview of U.S. Franchised Electric & Gas

- Infrastructure

- ~28,000 net megawatts of owned generation, including
  - Over 5,000 megawatts of nuclear
  - Over 14,000 megawatts of coal
  - Nearly 6,000 megawatts of gas/oil
  - Nearly 3,000 megawatts of hydro
- ~20,000 miles of electric transmission lines
- ~147,000 miles of electric distribution lines

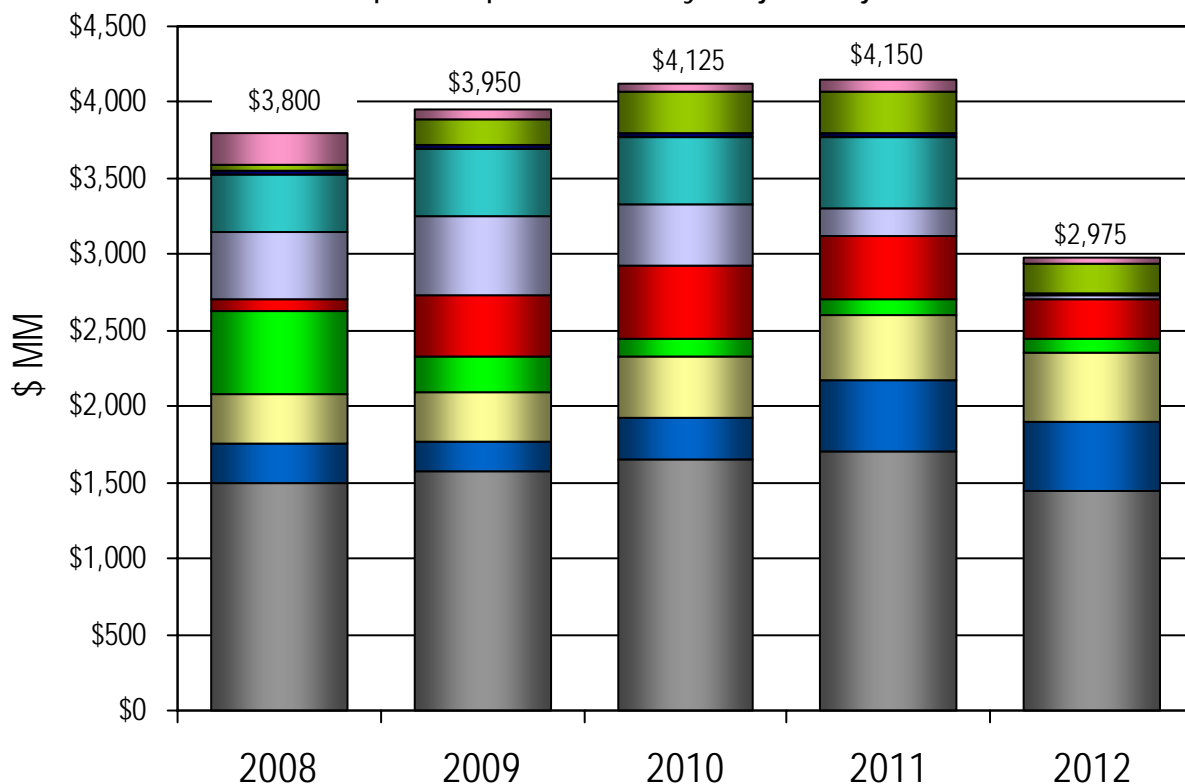
- Customers and load

- 3.9 million retail electric customers and 500,000 gas distribution customers
  - Adding 65,000 new customers per year
  - Load growth of ~1.5% in Carolinas; ~1.0% in Midwest
- Opportunistic wholesale sales of electricity
  - Longer term contracts primarily with municipal utilities and rural cooperatives
  - Shorter term sales into the wholesale market



# Planning for the Future – Capital Expenditures

## Capital Expenditures By Major Project

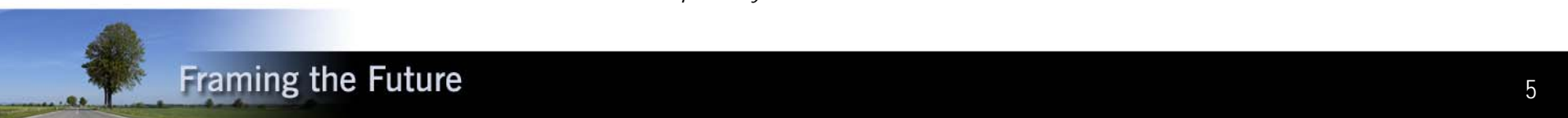


- Maintenance
- Nuclear Fuel
- Customer Adds
- Environmental
- CC's and CT's
- Cliffside
- Edwardsport
- Lee Nuclear
- Utility of the Future
- Other

CapEx (\$ MM)	Total 08-12	% of Total
Other*	425	2%
Utility of the Future	975	5%
Lee Nuclear	100	1%
Edwardsport	1,750	9%
Cliffside	1,575	8%
CC's and CT's	1,625	9%
Environmental	1,100	6%
Customer Adds	1,925	10%
Maintenance	7,875	41%
Nuclear Fuel	1,650	9%
<b>Total</b>	<b>\$19,000</b>	<b>100%</b>

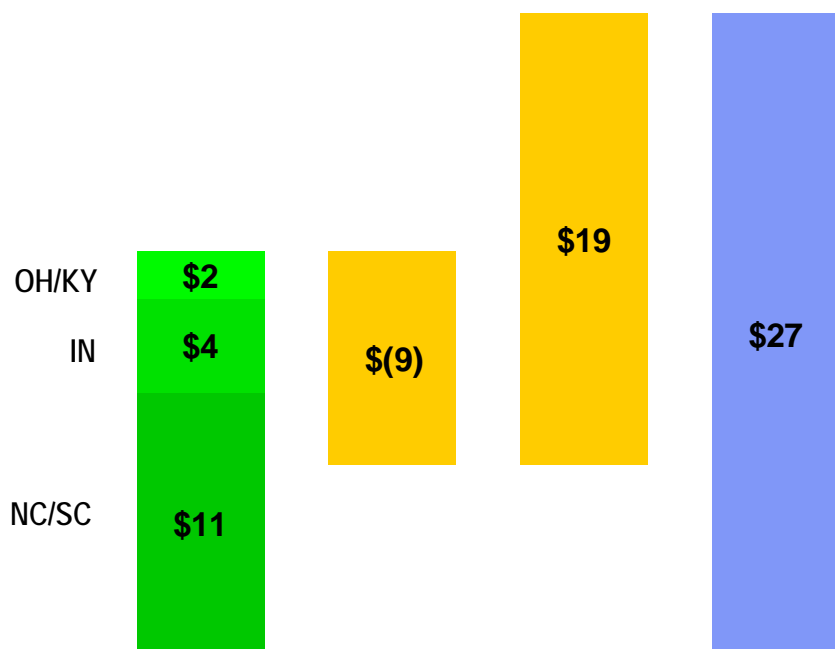
26%  
6%  
51%

\* Other consists primarily of AFDC debt and additional Catawba interest



# Re-investment Supports Earnings Growth

2008–2012 Rate Base



~60% Increase in  
U.S. Franchised Electric & Gas  
Rate Base

Approximate current rate base	\$ 17
Less: Depreciation & amortization	(9)
Capital expenditures	19
Estimated 2012 rate base	\$ 27

Current returns on rate base  
range 8–9%

Note: This is a simplified illustration of the change in rate base

# Summary of Rate Actions by State

	2008	2009	2010	2011	2012
North Carolina					
South Carolina					
Indiana					
Kentucky		 Gas			 Electric
Ohio	 Gas	 Electric		 Electric	

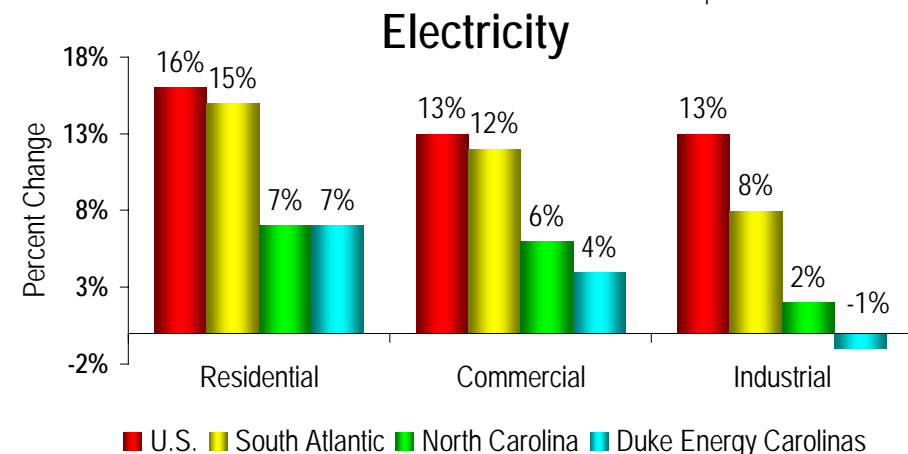
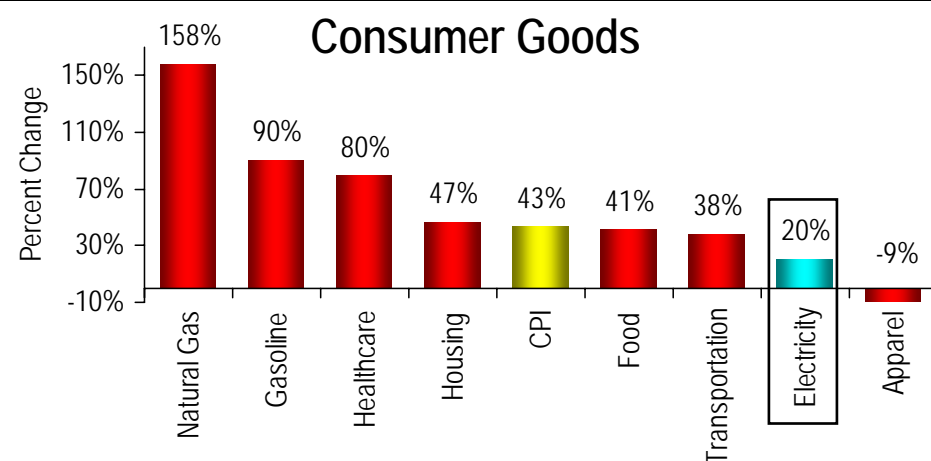
- The frequency of rate cases over the next five years will be substantially higher than in prior years to align with our capital intensive business strategy
- Taking measures to minimize rate shock and maintain price competitiveness

Check marks denote timing of projected revenue changes resulting from rate actions

# North Carolina Rate Review Update

- Required by NCUC as part of merger approval
- First general rate review in N.C. in 16 years
- Current prices approximately 20% below the national average and the lowest in N.C.
- 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% or less
- Proposed to maintain the BPM sharing mechanism
  - 50/50 provides reasonable incentives
- Intervener filing due 9/24/07
- 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 Regulatory and Legislative Update

- Continue to pursue two-track approach
  - Legislative solution – Proposal from Governor Strickland announced Aug. 29
  - Regulatory solution – Long-term RSP extension settlement
- Key principles for legislative and regulatory solutions
  - 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 and predictability for company
  - Provide PUCO with clear and appropriate authority
- Assure adequate generation to meet growing demand
  - Issued RFP for 1,800 MW
  - Immediate need for 1,500 MW
  - Need for additional 900 MW by 2013

# Other Initiatives

- Energy Efficiency
  - The “Fifth Fuel” – should be treated on par with other supply-side energy options
  - Duke Energy is well positioned to provide universal access to energy efficiency services
  - 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
    - Provides financial incentive to treat energy efficiency as a line business and produce save a watts
  - Producing capacity and energy to meet our customers’ energy requirements with zero emissions
- “Utility of the Future”
  - “Smart Grid” technology deployments planned for all of our jurisdictions
  - Seeking assurances of appropriate regulatory treatment of program costs
- Carbon Legislation
  - Duke Energy is at the forefront of the policy debate and advocates for carbon policy that will yield reductions in CO<sub>2</sub> emissions without damaging our economy
- Indiana RFP for peaking and intermediate resources
- North Carolina RFP for renewable resources

# Commercial Businesses Overview

Business "Snapshot"



**Commercial Power**  
(Midwest Generation & DEGS)

**International**

**Crescent JV**

## Highlights:

- ~19,000 MW owned/operated
- Asset based business
- Highly contracted
- Opportunities for organic growth and platform expansion

# Commercial Businesses: Strategy for Earnings Growth

## Focused operations

- Generation availability
- Cost control

## Increase returns on invested capital

- Midwest Gas value capture
- Ohio market structure
- Organic growth in Latin America

## Develop pipeline of expansion opportunities

- Wholesale generation focus in the Americas
- Alternative generation trend in the U.S.

Optimize existing positions

Explore value, creating growth and new platforms

Opportunities in the Commercial Businesses support ongoing EBIT growth through 2012 of 8%–10%\* with steadily improving returns

*\*Assumes 2008 base year*

# Commercial Power: Midwest Fleet Attributes

MISO		PJM	
<ul style="list-style-type: none"> <li>56% of fleet, primarily coal</li> <li>4,513 MW generation</li> </ul>		<ul style="list-style-type: none"> <li>38% of fleet, primarily gas</li> <li>3,120 MW generation</li> </ul>	
<p><b>Fuel Diversity</b></p> <ul style="list-style-type: none"> <li>Illinois Basin</li> <li>Northern Appalachia</li> <li>Central Appalachia</li> </ul>		<p><b>Sales</b></p> <ul style="list-style-type: none"> <li>Ohio Retail 90%</li> <li>Optimization 10%</li> </ul>	
<p><b>Coal Burn (2009)</b></p> <ul style="list-style-type: none"> <li>60% high sulfur</li> <li>40% low sulfur</li> <li>95% barge delivered</li> </ul>		<p><b>Tracking Accounts</b></p> <ul style="list-style-type: none"> <li>Fuel</li> <li>Environmental</li> <li>Purchased Power</li> </ul>	
<p><b>~3,600 MW coal</b> <b>~75% scrubbed in 2009</b></p>		<p><b>~2,480 MW combined cycle</b></p>	
<p><b>Growing markets, efficient generation, and fuel optionality support increasing value creation</b></p>			

**Total Fleet  
~8,100 MW**

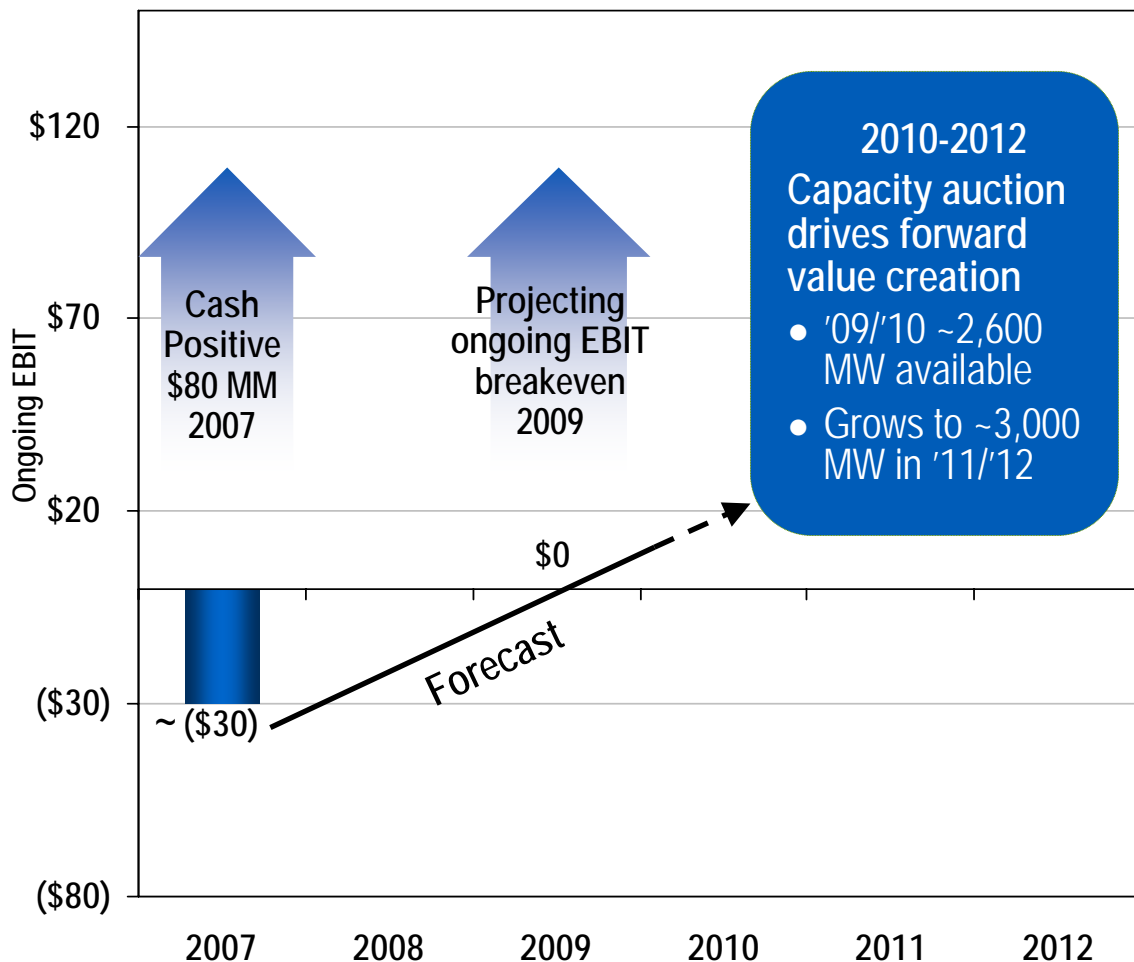
**~3,600 MW coal**  
**~75% scrubbed in 2009**

**~2,480 MW combined cycle**

**Growing markets, efficient generation, and fuel optionality support increasing value creation**

# Midwest Gas Generation: Financial Performance Projection\*

\$Millions



\*Based on current forward price curves

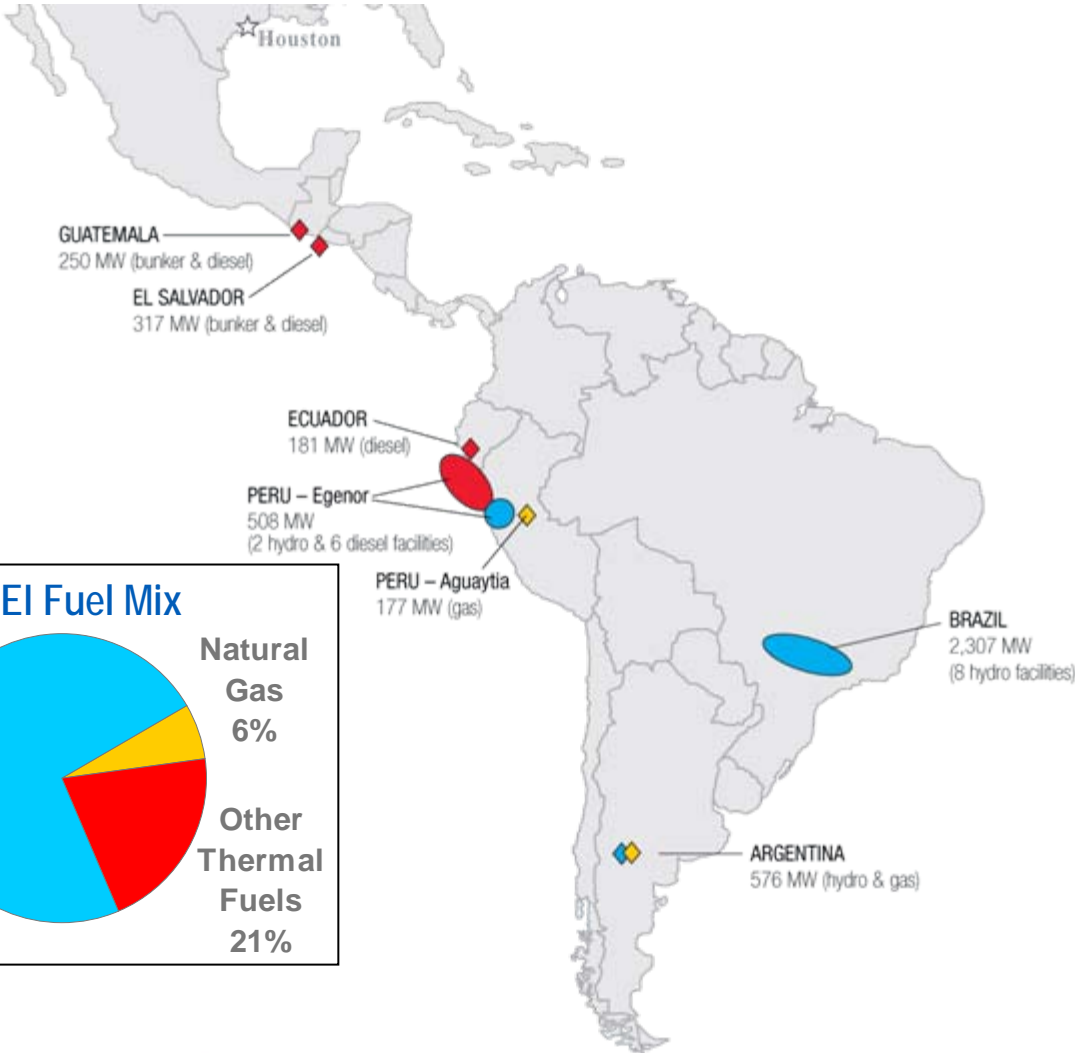
## Non-RSP Gas Assets:

- 4,066 MW (76% in PJM)
  - 2,480 MW combined cycle
  - 1,586 MW peaking

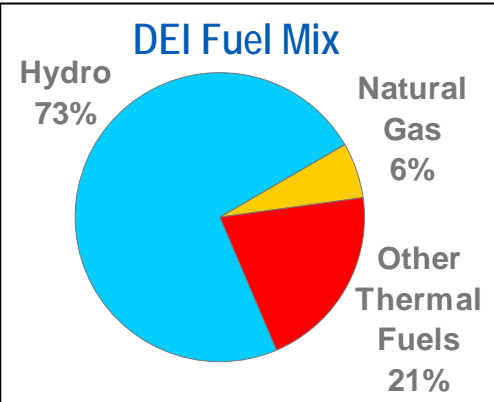
## Key Drivers of value creation:

- PJM sales via capacity auction
  - 07/08 400 MW
  - 08/09 1,100 MW
  - Next auctions Oct 07 / Jan 08
- Generation up 1.8x vs. 2006
- Operational Flexibility
- Cost Control

# Duke Energy International Current Platform and Market Environment



Fleet Attributes	
4,300 MW Gross	
3,945 MW Net	



- ### Latin American Market Environment
- Strong macroeconomic trends
  - Lower risk and improved credit ratings
  - Strong power sector fundamentals
  - Rising power prices and need for new capacity



# Duke Energy International Latin America Business – Low-risk Platform for Continued Growth

<b>Narrow Focus</b>	Primarily wholesale energy & capacity sales
<b>Low Merchant Risk</b>	High percentage of generating capacity contracted and/or receives system capacity payment. Average tenor ~4.5 years
<b>Low Dispatch Risk</b>	Predominantly hydro base load (73%) and highly efficient thermal plants
<b>Minimal Currency Exposure</b>	Debt matched with applicable functional currency
<b>Solid Earnings &amp; Cash Flow</b>	Significant operating cash flow ~ \$200–\$300 MM/yr

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Financial Overview

# Capital Expenditures

(\$ millions)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Cumulative</u>
<b>US Franchised Electric &amp; Gas</b>						
System growth	\$ 1,500	\$ 1,950	\$ 2,075	\$ 1,875	\$ 975	\$ 8,375
Environmental	550	225	125	100	100	1,100
Nuclear Fuel	250	200	275	475	450	1,650
Maintenance and Other	1,500	1,575	1,650	1,700	1,450	7,875
<b>Total US Franchised Electric &amp; Gas</b>	<b>3,800</b>	<b>3,950</b>	<b>4,125</b>	<b>4,150</b>	<b>2,975</b>	<b>19,000</b>
<b>Commercial Power</b>	<b>600</b>	<b>275</b>	<b>250</b>	<b>150</b>	<b>125</b>	<b>1,400</b>
<b>International</b>	<b>350</b>	<b>250</b>	<b>350</b>	<b>75</b>	<b>25</b>	<b>1,050</b>
<b>Corporate and other</b>	<b>225</b>	<b>225</b>	<b>200</b>	<b>225</b>	<b>225</b>	<b>1,100</b>
<b>Total Capital Expenditures</b>	<b>\$ 4,975</b>	<b>\$ 4,700</b>	<b>\$ 4,925</b>	<b>\$ 4,600</b>	<b>\$ 3,350</b>	<b>\$ 22,550</b>

# Capital Expenditures – System Growth U.S. Franchised Electric & Gas

(\$ millions)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Cumulative</u>
<b>US Franchised Electric &amp; Gas</b>						
Power Delivery Customer Connections	325	325	400	425	450	1,925
Edwardsport IGCC	375	450	450	475	-	1,750
CC / CT Additions - Carolinas	75	400	475	425	250	1,625
Cliffside	450	525	400	175	25	1,575
Utility of the Future	50	175	275	275	200	975
Additional Catawba Nuclear Ownership %	150	-	-	-	-	150
Lee Nuclear	20	20	20	20	20	100
Other regulated investments and ADC Debt	55	55	55	80	30	275
<b>Total US Franchised Electric &amp; Gas</b>	<b>\$ 1,500</b>	<b>\$ 1,950</b>	<b>\$ 2,075</b>	<b>\$ 1,875</b>	<b>\$ 975</b>	<b>\$ 8,375</b>

# 2008 Cash Flows

(\$ millions)

**2008**  
***Estimate***

## ***Primary Sources:***

Net income	\$ 1,550
Depreciation & amortization	1,850
<b>Total Sources</b>	<b>\$ 3,400</b>

## ***Primary Uses:***

Capital and investment expenditures	\$ (4,975)
Dividends	(1,125)
Other sources/(uses), net	(350)
<b>Total Uses</b>	<b>\$ (6,450)</b>

**Net Cash, Short-term Investments Used, and Debt Financings** **\$ (3,050)**

*Note: Illustrative net income based on 7% growth off of 2007 employee incentive target of \$1.15 ongoing diluted earnings per share*

# Strong Balance Sheet / Financial Flexibility

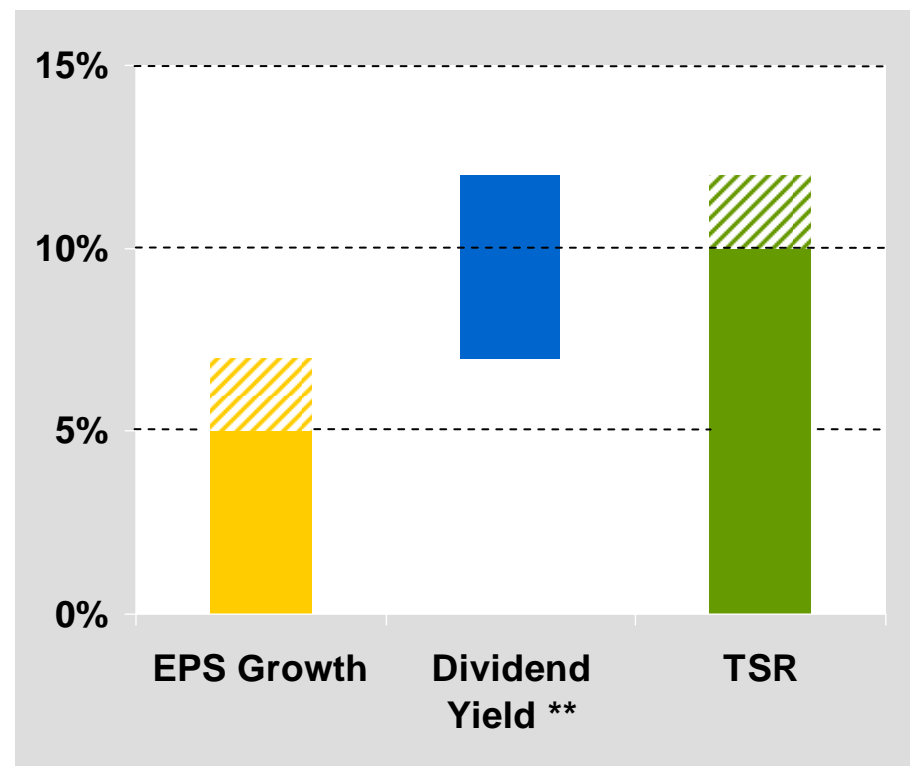
- Expect to maintain solid, investment-grade credit metrics
- Debt/capitalization ratio projected to be in the mid-40% range by 2012
- Allows rate base growth with modest equity issuance – approximately \$200 million per year beginning 2010

S&P Risk Profile = 5	A Range	BBB Range	Duke Energy 2008–2012
FFO Interest Coverage	4.5x – 3.8x	3.8x – 2.8x	~ 5.2x – 4.4x
FFO/Total Debt	30% – 22%	22% – 15%	~ 22% – 20%
Debt/Total Capitalization	42% – 50%	50% – 60%	Mid 40% range

# Value Proposition

- Proactive regulatory strategy
- 5–7% ongoing diluted EPS growth through 2012 from 2007 base\*
- Annual dividend growth
- No anticipated equity offerings through 2012 excluding internal plans e.g., Dividend Reinvestment Plan (DRIP)
- Strong balance sheet provides flexibility

Annual Total Return Profile



\* Based on 2007 employee incentive target of \$1.15 ongoing diluted earnings per share

\*\* Based on current dividend yield of approximately 5%

