



Third Quarter Earnings Review

November 3, 2006



Jim Rogers

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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 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.

Earnings Summary

	3Q06	3Q05
DUK Reported Earnings per Diluted Share	\$ 0.60	\$ 0.04
Special Items	(0.08)	(0.40)
Discontinued Operations	(0.04)	0.92
DUK Ongoing Earnings per Diluted Share	\$ 0.48	\$ 0.56

- While the quarter is lower than 3Q05, we remain on track to achieve revised employee incentive target
 - ◆ Nearly all businesses off the expected mark for the quarter
 - ◆ Employee incentive target expected to be revised from \$1.90 to \$1.86 due to the Board authorized sale of CMT
 - ◆ Committed to delivering earnings to shareholders
 - ◆ Over at least the next three years, Duke Energy expects to deliver 4-6% growth and Spectra Energy expects to deliver 5-7% growth in on-going diluted earnings per share
- 3Q06 results represent combined company, while 3Q05 results are pre-merger and do not include Cinergy

U.S. Franchised Electric & Gas

- Segment EBIT increased by \$72 million over 3Q05
- The addition of Cinergy's regulated utilities in the Midwest contributed \$181 million, net of \$17 million in rate reductions associated with the merger

Reported & Ongoing Segment EBIT (\$ millions)

	3Q06	3Q05
Reported Segment EBIT	\$ 678	\$ 606
Special Items	-	-
Ongoing Segment EBIT	\$ 678	\$ 606

- Duke Energy Carolinas also recognized a charge of about \$39 million for rate reductions associated with the merger
- Results in the Carolinas are down \$70 million from 3Q05, the second highest earnings quarter in Duke history
- Negative impacts in the Carolinas included lower bulk power marketing of \$40 million, higher O&M costs of \$20 million and milder weather of \$17 million
- Offsetting lower results, the segment recorded approximately \$62 million in Clean Air amortization, down \$23 million from 3Q05

Natural Gas Transmission

- Ongoing segment results were \$41 million lower primarily due to:

- ◆ Higher O&M costs of \$35 million
- ◆ Impact of revenue sharing program at Union Gas
- ◆ Lower equity earnings from Gulfstream related to project financing

- Reported segment EBIT includes a \$15 million gain related to the issuance of additional units in the Duke Energy Income Fund
- Positive impacts for the quarter include strong processing margins at the Empress facility, contributing \$27 million over 3Q05
 - ◆ On an annual basis, a \$1 change in the frac spreads affects Empress' EBIT by \$25 million
- Positive Canadian currency impacts on EBIT of \$6 million were partially offset by Canadian-based interest expense

Reported & Ongoing Segment EBIT

(\$ millions)

	3Q06	3Q05
Reported Segment EBIT	\$ 303	\$ 329
Special Items	(15)	-
Ongoing Segment EBIT	\$ 288	\$ 329

Field Services

- Represents Duke Energy's 50% ownership in Duke Energy Field Services
- 3Q05 reported EBIT includes the gain on the transfer of 19.7% ownership to ConocoPhillips

Reported & Ongoing Equity Earnings/EBIT (\$ millions)

	3Q06	3Q05
Reported Equity Earnings/EBIT	\$ 158	\$ 701
Special Items	-	(614)
Ongoing Equity Earnings/EBIT	\$ 158	\$ 87

- Strong commodity prices and improved overall marketing results had a positive effect for the quarter
- Reflecting strong earnings and cash flow, DEFS paid dividends of \$75 million and another \$77 million in tax distributions to Duke Energy this quarter

Commercial Power

- Commercial Power segment includes non-regulated generation assets in the Midwest and Duke Energy Generation Services
- Segment earnings improved by \$68 million over 3Q05
 - ◆ Cinergy's non-regulated generation fleet added \$69 million before the impacts of purchase accounting
 - ◆ Midwest gas-fired plants contributed \$5 million compared to a \$10 million loss for 3Q05 with the certification of Hanging Rock and Washington plants into PJM
- Offsetting these results were net purchase accounting charges of \$17 million related to the merger
- Oak Mountain synfuel plant was restarted on Oct. 12

Reported & Ongoing Segment EBIT (\$ millions)		
	3Q06	3Q05
Reported Segment EBIT (Loss)	\$ 57	\$ (11)
Special Items	-	-
Ongoing Segment EBIT (Loss)	\$ 57	\$ (11)

International Energy

- Ongoing earnings for International decreased by \$15 million compared to 3Q05
- Decrease is primarily due to higher regulatory fees and lower sales prices in Brazil, increased purchased power costs in Brazil and Peru, and lower results at National Methanol
- 3Q05 ongoing results exclude a \$20 million impairment related to our equity investment in the Campeche facility in Mexico
- Fundamentals in Brazil are strong as reflected in the auction prices for 2008 – 2010

Reported & Ongoing Segment EBIT

(\$ millions)

	3Q06	3Q05
Reported Segment EBIT	\$ 68	\$ 63
Special Items	-	20
Ongoing Segment EBIT	\$ 68	\$ 83

Crescent Resources

- Decrease in ongoing results for segment EBIT of \$66 million
 - ◆ 3Q05 results reflect closing of several large transactions
- Special Items this quarter reflect the one-time, pre-tax gain of \$246 million related to the creation of a joint-venture partnership with Morgan Stanley Real Estate Fund on Sept. 7, 2006
- The transaction provided Duke Energy with approximately \$1.4 billion after-tax proceeds
- Moody's assigned Crescent a stand-alone rating of Ba2, and S&P recently assigned a BB rating
- Moving forward, interest expense at Crescent will be capitalized as part of individual project costs

Reported & Ongoing Segment EBIT

(\$ millions)

	3Q06	3Q05
Reported Segment EBIT	\$ 300	\$ 120
Special Items	(246)	-
Ongoing Segment EBIT	\$ 54	\$ 120

Other

- Ongoing losses in third quarter 2006 improved by \$96 million
- The value of DEFS de-designated hedges improved by approximately \$124 million over 3Q05
 - ◆ The remaining hedges will roll-off by year end
 - ◆ We have not hedged any of our production in 2007
- Governance costs higher primarily due to Cinergy merger
- Insurance costs were flat year over year
 - ◆ A charge of \$58 million was recorded in 3Q06 related to our interest in a mutual insurance company which we are exiting
- Special Items for 3Q06 include:
 - ◆ \$19 million for Cinergy merger costs-to-achieve
 - ◆ \$10 million for gas spinoff costs-to-achieve

Reported & Ongoing EBIT

(\$ millions)

	3Q06	3Q05
Other Reported EBIT (Loss)	\$ (111)	\$ (165)
Special Items	29	(13)
Other Ongoing EBIT (Loss)	\$ (82)	\$ (178)

Commitment to Investors

Focused on what matters most to you:

- ◆ 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



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- Realigning the portfolio will provide the platform for long-term growth
- On track for revised employee incentive EPS target
- Committed to growth rates for Duke Energy and Spectra Energy

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- Re-deploy cash from sales to infrastructure businesses
 - ◆ Closed sale of CMT
 - ◆ Secured partner for Crescent
- With sale of businesses, do not expect to meet 2007 aspirational ongoing EPS target of \$2.00

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- Continued investment in scrubbers on coal plants
- Filed for cost recovery on proposed nuclear plant
- Filed permit for IGCC in Indiana
- Hearings held on baseload coal plant expansion
- New natural gas projects

