

CLARIFICATION: Please note that the financial plan discussed in this presentation assumes no base rate increases in the Carolinas and modest amounts related to base rate increases in Ohio and Kentucky.

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PRESENTATION

Sean Trauschke - Duke Energy Corporation - VP of IR

Good morning, and welcome to the first Road Show of the New Duke Energy. My name is Sean Trauschke, and I am Vice President of Investor Relations. I haven't had the opportunity to meet all of you. So, I am looking forward to working with you in the future. Our presentation today

will focus solely on Duke Energy's ongoing power operations, Spectra Energy will commence a road show next week and discuss the gas business.

Leading our discussion today are Jim Rogers, President and Chief Executive Officer and David Hauser, Group Executive and Chief Financial Officer. Jim will begin today's presentation by providing a general overview of the future growth prospects and strength of Duke Energy as a pure-play power company. Then, David will provide details around our 2007 employee incentive target, key growth drivers and investment CapEx. Jim will close with a discussion of how we will continue to fulfill our commitment to investors. Following our prepared remarks, we will open it up for your questions.

Before we begin, let me take a moment to read the Safe Harbor statements. Some of the things we will discuss today 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 contained in Duke Energy's 2005 Form 10-K filed with the SEC and Duke Energy's 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 is available on our Investor Relations website at www.duke-energy.com.

With that, I will turn it over to Jim.

Jim Rogers - Duke Energy Corporation - President and CEO

Thank you, Sean. Good morning, everyone, and thank you for joining us today. We are here to talk about the next chapter in Duke Energy's history. After the spin of our gas business, we will be one of the leading pure-play power infrastructure businesses in the US. We will spend most of our time today discussing our regulated businesses. They are the primary drivers of earnings growth over the next three years.

Our businesses are positioned to meet the major challenges facing the electric utility industry, rising prices, the need for new generation plants and increasingly more stringent environmental regulations. We have an attractive low-risk business profile. Approximately 85% of our 2007 ongoing segment EBIT will come from our utility operations. We are pursuing options to build a new coal and nuclear plant to meet the growing demand for electricity on our system. We plan to seek timely recovery of these investments through numerous regulatory initiatives.

We have a talented experienced management team with a very deep bench. They are focused on delivering strong and attractive earnings growth for our shareholders, both in the short-term as well as in the longer-term. The Board recently approved an employee incentive target of \$1.15 per share based on ongoing diluted EPS for 2007. This target serves as the base for our 4% to 6% annual growth through the end of '09. We expect dividend growth to be in line with earnings growth.

The business plan reflects a quarterly dividend increase of \$0.01 beginning in the third quarter of 2007, and as you all know, that only happens when the Board makes that decision. So, today, we will lay out for you how we are positioning Duke Energy for long-term success. Starting from left to right on this slide, let me give you an idea of what Duke Energy will look like post-spin. With nearly 28,000 megawatts of regulated generation, US Franchised Electric and Gas will be the largest of our business segments and the primary source of earnings growth.

The next segment is Commercial Power, which has approximately 8,700 megawatts of unregulated generation, primarily in the Midwest. Substantially all of the results for this business are driven by sales to retail customers in Ohio under the Rate Stabilization Plan. So, taking these two segments together, we consider that approximately 85% of Duke Energy's 2007 ongoing segment EBIT will come from sales to our regulated customers.

Next, Duke Energy's International has approximately 4,200 megawatts of generation primarily in Latin America, about 75% is hydroelectric and approximately 80% is under contract. It represents roughly 10% of our 2007 ongoing total segment EBIT. Then there is Crescent Resources, a 50/50 joint venture with Morgan Stanley Real Estate Fund. Crescent manages land holdings and develops high-quality commercial, residential and multi-family real estate projects in nine states, primarily in the Southeast and Southwest. I will talk briefly about each of the four segments, again spending most of my time on Franchised Electric and Gas.

Our regulated electric and gas service territory covers 47,000 square miles in North Carolina, South Carolina, Ohio, Kentucky and Indiana. We serve 3.9 million electric customers in the five states and 500,000 gas customers in Ohio and Kentucky. On a combined basis, we have about 16 billion in retail rate base. And as David will discuss, we expect to increase our rate base by approximately 25% by the end of '09.

The next three segments are Commercial Power, International and Crescent. As I mentioned a moment ago, Commercial Power is an 8,700 megawatt portfolio of unregulated base load, intermediate, and peaking generation, primarily located in the Midwest. Its plan is to maximize the sales from its generation assets.

Next is Duke Energy International, and its primary focus is on generation operations in Brazil, Peru and Argentina. It has approximately 4,200 megawatts of generation, primarily base load hydroelectric. We will assess future international investment opportunities with a very measured approach. We have told the team we will consider opportunities in Brazil, Peru and Argentina. Any potential investment would be in line with the excess cash flow from the business of approximately \$200 million to \$300 million annually.

Finally, Crescent Resources which, as I mentioned earlier, was recently restructured as a 50/50 off-balance sheet joint venture. The joint venture was structured with the intent that it would be a self-funding entity. Consequently, we do not anticipate injecting any capital into Crescent. Furthermore, we do not need to inject growth capital into any of these businesses to meet our 4% to 6% annual ongoing earnings growth target.

We strive to achieve regulatory outcomes that benefit both our customers and our investors. In our judgment, there are four drivers of positive regulatory outcomes for both customers and investors. One, reliable operations; two, low prices for customers; three, limited fuel price volatility; and lastly, high customer satisfaction. Let me take a moment to talk about each one of these.

We have a history of reliable low-cost operations. The merger will help us continue this record in the future. We are using the merger scorecard, which is included in the appendix of this presentation, to track our progress. We are holding ourselves accountable for delivering on the promises of the merger, both operational and financial goals. One key measure we watch closely on the nuclear generation side is capacity factor, which is the ratio of a power plant's average production to its rated capability.

For year-to-date 2006, we have achieved a nuclear capacity factor of 95%, one of the best in the industry. We also operate some of the most efficient coal plants in the industry with a commercial availability factor of 93% for the same period. Since *Electric Light and Power's* national efficiency rankings began in 1965, Duke Energy's coal plants have been ranked as some of the best in the country.

Efficiency at a coal station is measured by how well it converts the heat energy from coal into electricity. The more efficient the station, the less coal it needs to produce each kilowatt-hour of electricity. Lower coal use leads to fewer emissions. Our aggressive cost management and continuous improvement efforts, have kept our prices below the national average in all five of our states, and they are expected to stay that way in the future.

You have seen the headlines on price increases across the country. We have a number of regulatory initiatives underway, and I will review those shortly. But with all of those initiatives, we anticipate that our average prices as of January 1, 2007 would increase by less than 10% over the next three years. This plan does not include any base rate increases. However, we have assumed increases related to CWIP for environmental costs and new generation as well as for the recovery of incremental limestone cost associated with the completion of the scrubbers on our coal units in the Carolinas.

Our regulated business segment owns and operates a balanced generation portfolio of coal, nuclear, natural gas and hydroelectric assets. In the United States, we are the third largest in coal generation, we are fourth in nuclear generation and second in hydroelectric capacity among the top investor-owned utilities. Importantly, 100% of our fuel costs will be recovered through fuel adjustment trackers in each of our regulatory jurisdictions.

Virtually all of our actual energy production, approximately 98% comes from coal and nuclear. We are able to keep our prices competitive and to protect our customers from the fuel price volatility that has been primarily attributed to natural gas.

Another way to think about this is that on average, the fuel factor accounts for only 20% of the price our residential customers pay. Consequently, fuel price increases from coal and uranium have a relative small impact on our prices for residential customers. Our customer satisfaction ranking and ratings are among the top in the nation in all jurisdictions. Earlier this year, Duke Energy Carolinas was ranked by J.D. Powers as the highest in the nation in overall customer satisfaction of business customers of electric utilities.

We believe that we can succeed on our regulatory agenda, in part because we have had a successful history of doing so. Before we discuss our regulatory objectives, let me give you a quick review of some of our past achievements. First on the generation side, most recently the North Carolina Commission approved our acquisition of the 825-megawatt Rockingham Power Plant. The same was true of the Indiana Commission in 2006 with our acquisition of the 512-megawatt Wheatland generating facility.

In our last major base rate increase in 2004 in Indiana, we added approximately \$1.3 billion to rate base including generation. About 40% of this add was new generation dedicated to customers in the state. We are also allowed to recover our development costs for a new IGCC plant in Indiana. Recently, we reached a settlement in Kentucky for a price increase, the first since 1992. It was primarily related to the acquisition of 1,100 megawatts of generating capacity dedicated to the consumers in the state. That's on the generation front.

Now, let me talk about the strong support that we have gotten with respect to environmental expenditures. Our North Carolina Clean Air expenditures continue to be recovered in rates, another positive outcome. Indiana has been very supportive of environmental improvements and clean coal technologies. In that state, we recently received approval for a recovery of almost \$1.1 billion of capital expenditures for environmental compliance with an associated return and recovery of operating costs.

Finally, some other key successes, just to share with you, is that we secured approval of the Ohio Rate Stabilization Plan in 2004. We are recovering with a return, the capital expenditures associated with the accelerated gas main replacement program in Kentucky and Ohio. And in North Carolina, we entered into an agreement to share the profits from our Bulk Power Marketing off-system sales, a win-win for our customers and our shareholders.

Now, I would like to walk you through our current regulatory and legislative initiatives. Our primary objective is to secure the timely recovery of our invested capital. We are pursuing legislation in North Carolina and South Carolina that provides for construction work in progress, or "CWIP" trackers for the Cliffside station in North Carolina as well as our proposed nuclear station in South Carolina. We are also seeking to recover our upfront development costs for the new nuclear plant.

As we have said before, we will not build a nuclear plant without assurances of recovering our financing costs in rates as we build. In North Carolina, we are required by mid-2007 to file a rate case or "show cause" that a price adjustment is not required. We don't expect the outcome to have a material financial impact on the Company.

We have filed for certificates for the new IGCC plant in Indiana and the new Cliffside units in North Carolina. We will also be pursuing Certificates of Public Convenience and Necessity for the new nuclear plant in South Carolina. Last week, as you may know, we filed our testimony on our revised cost estimates for Cliffside. Also last week, we received authorization for investment tax credits in the amount of \$133.5 million for the Indiana IGCC plant and \$125 million for Cliffside. These tax credits will reduce the cost of building these two state-of-the-art power plants.

In Ohio, we are pursuing a two-part strategy. First, we filed for a regulatory extension of the Rate Stabilization Plan through 2010. Simultaneously, we are pursuing legislation that will provide for a regulated distribution company to either build or purchase new generation. Under this plan, the unregulated plants will remain unregulated in the future. We have an ambitious but doable regulatory agenda. We are confident we can achieve our objectives.

Before I move on, I would like to again emphasize that the success of our strategy hinges on addressing the "stroke-of-the-pen" risks inherent in any regulated business. We work collaboratively with other industry players, legislators, consumer and environmental groups, and regulatory agencies to shape public policy issues. One of the issues that we are focused on is the issue of global climate change. We think it is critical as the third largest consumer of coal in the United States to get that right in the future.

We are also a proponent of cost-effective energy efficiency initiatives. We often refer to this as the "fifth fuel". We need to leverage the technologies of today to make the best use of our resources and to take energy efficiency to the next level, including obtaining the appropriate regulatory treatment of these investments. In fact, just last week, in our North Carolina Cliffside filing, we offered to invest with the right recovery mechanisms approximately \$50 million of capital per year for energy efficiency initiatives.

Now, let me summarize, if I may, the three drivers of our earnings growth. First, steady sales growth; second, enhanced cost reductions due to merger savings; and thirdly, a return on the significant capital investments we have planned. Let me talk a moment about each of these drivers, as they are all important to our success in the future.

We are committed to providing safe, reliable and low-cost service. That's a Duke tradition. It is this commitment that drives customer sales, and as I have said before, leads to regulatory outcomes that are positive for both customers and investors. Capital investment enhances our ability to meet the growing demand, and to improve our operations and the reliability of our system. This also provides the opportunity to grow earnings by recovering a return on our investments.

We have steady retail growth in kilowatt-hour sales. We are adding approximately 65,000 customers each year. Over the next three years, we estimate kilowatt-hour sales growth of approximately 1.5% in the Carolinas, and approximately 1% in the Midwest. Economic development also plays a major role in increasing our sales. We have a long history of working with local and state officials to attract new businesses to our service areas.

To give you an idea of this commitment, year-to-date in the Carolinas, our economic development team assisted in landing 56 projects. Combined, these projects helped generate approximately \$4 billion in capital investment, create 9,500 new jobs and 680 million kilowatt-hours of new sales. This translates into approximately \$30 million in new annual electric revenues to Duke Energy Carolinas. Our competitive prices and economic development strategies were key factors in these 2006 successes.

In the Midwest, our economic development team helped create over 7,000 new jobs and \$1.1 billion in capital investment. The largest project is Toyota's new \$230 million auto assembly plant in Lafayette, Indiana, which creates 1,000 jobs. This Toyota plant alone represents 60 million kilowatt-hours of new sales. Our second driver is enhanced cost reductions from the merger. We are still on track to achieve our merger savings.

We will begin to see the full benefits of those savings as most of the merger-related rate reductions roll off in 2007. The third driver in our growth strategy is significant capital investment. With our steady growth, we currently estimate that we will need to increase our generating capacity by approximately 6,400 megawatts over the next ten years. The majority of this capacity is in the Carolinas with the remainder being in Indiana.

Over the next three years, we plan to invest approximately \$9 billion in our infrastructure to meet growing sales to our customers and to keep our reliability high. Included in the \$9 billion is expansion capital to develop significant new generation including two new coal units at our Cliffside station in North Carolina, a new IGCC plant in Indiana and a new nuclear plant in South Carolina. Additionally, we need nearly 1,500 megawatts of new generation in Ohio today to meet the current requirements of our Ohio customers.

We will develop a plant to build or buy new generation when new legislation is in place in Ohio, allowing utilities to own generation. Our plan is to obtain timely recovery of these investments, while avoiding the large increases in prices that occurs when a new plant is placed in service. This strategy will help smooth out future price increases for our customers, and at the same time, drive our future earnings growth. The success of this strategy requires us to execute on four fronts.

First, keep our prices reasonable and price increases modest. Second, ensure the timely recovery of and on, our investments in new plants. Third, maintain appropriate returns to our investors. And lastly, proactively mold and shape public policy at the both the state and federal levels to enable and to sustain all of the above.

Now, let me turn it over to David, who will provide more detail about our growth. David?

David Hauser - Duke Energy Corporation - Group Executive and CFO

Thank you, Jim. As Jim noted, the Board recently approved a 2007 employee incentive target of \$1.15 based on ongoing earnings per share. Beyond 2007, we expect our earnings to grow at a rate of 4% to 6% annually. Our earnings growth will be driven by the following factors. A full year of earnings in 2007 from our Midwest operations, realization of cost savings as the rate reductions roll off in 2007, customer sales growth, capital reinvestments and execution on our regulatory initiatives.

I will share more details on the assumptions we have used to arrive at our 2007 earnings target a bit later. But, first, I will discuss our segment EBIT expectations for 2007. We expect the company's total ongoing segment and other EBIT to be \$2.7 billion in 2007. As you would guess, the largest contributor to ongoing EBIT is our regulated business. We expect an EBIT contribution of \$2.3 billion from US Franchised Electric and Gas.

Net of approximately \$90 million related to purchase accounting our Commercial Power segment is expected to contribute \$200 million in ongoing EBIT. It is important to remember that most of the Commercial Power ongoing segment EBIT comes from serving retail electric customers. Our international operations are expected to contribute \$315 million in EBIT and our ownership interest in Crescent Resources is expected to contribute \$100 million in equity earnings in 2007. Other primarily consists of the cost of corporate governance and Duke Energy's captive insurance company.

This slide provides the EPS assumptions used to set our 2007 employee incentive target of \$1.15. We have assumed an effective tax rate of 33% for 2007. You should note that this tax rate reflects the impact of synfuel credits. Absent these credits, our effective tax rate would be 35.5%. We expect interest expense to be approximately \$625 million. Our target also reflects approximately \$80 million of interest income pre-tax related to the cash balance. At the beginning of next year, the cash balance is expected to be approximately \$1.6 billion.

Our 2007 incentive target also reflect \$60 million of EBIT loss from our Midwest gas-fired generation. You will recall that as a result of the creation of the joint venture partnership with Morgan Stanley Real Estate Fund in September, Crescent Resources moved from consolidated to equity accounting.

Next, I will walk you through our projected 2007 cash flows. Based upon our \$1.15 per share target, we expect total sources of cash to be \$3.3 billion. Total uses of cash are estimated to be \$4.4 billion. This total includes 3.3 billion in CapEx for expansion, environmental, maintenance and other.

The next slide will provide more detail on our CapEx spending. Dividends are expected to be \$1.1 billion. This number includes the projected quarterly dividend increase of \$0.01 per share beginning in the third quarter of 2007. This dividend increase is in line with our expectation to grow dividends consistent with a 70% to 75% payout target.

The resulting net cash used is \$1.1 billion. We have discussed a number of investment initiatives that we are planning to pursue. In fact, I have stated in earlier presentations that our need for capital spending would translate into negative free cash flow after the payment of the dividend. Remember, these investments are critical to our long-term growth.

The strong investment-grade balance sheet will provide us with significant flexibility in achieving our CapEx plans. We do not need to issue equity to fund our CapEx program. And while we start the year with \$1.6 billion in cash, we still anticipate using the debt capital markets for refinancing purposes in 2007.

If you look over the next three years, we plan to spend approximately \$3.5 billion per year and the vast majority of that spending will occur within Franchised Electric and Gas. Based upon the plans we have outlined during this presentation, expansion spending will increase substantially over the next three years. In 2007, we expect to spend \$600 million in expansion CapEx and estimate that it will increase \$1.2 billion in 2008 before rising to \$1.8 billion in 2009.

Included in these numbers is approximately \$350 million per year of costs associated with customer additions. In past years, these costs were included in our maintenance numbers. The remainder of the expansion capital dollars is attributable to the building programs. At the same time, environmental spending will decrease as we complete environmental upgrades to comply with new regulations.

As you know, Duke Energy embarked on a significant environmental spending program to meet the evolving federal and state Clean Air requirements. To date, we have spent over \$1.5 billion, and we plan to spend an additional \$1.3 billion to complete the program. Approximately 85% of the remaining materials costs are locked in, so we are not at significant risk to rising costs.

In other items, nuclear fuel along with maintenance and other will remain relatively flat over the next three years. Non-regulated CapEx largely consists of Commercial Power, International and corporate IT projects. Non-regulated spending will decrease over the same period as we complete our compliance with new environmental regulations. Those are specifically in Ohio.

As Jim said earlier, one of the keys to our success is the timely recovery of capital investments. The existing recovery mechanisms we have in place coupled with successful outcomes from our proposed regulatory initiatives would result in the timely recovery of financing costs on a significant portion of our total CapEx.

The purpose of this slide is to provide a very simplistic illustration of our potential rate base growth over the next three years. Currently, our rate base is about \$10 billion in the Carolinas, \$4 billion in Indiana, and a combined \$2 billion in Ohio and Kentucky. If you add it up, our total rate base is approximately \$16 billion.

To meet the needs of our growing customer base, we expect to add \$9 billion in capital expenditures through 2009. If you subtract depreciation and amortization over that period, our total rate base will grow \$4 billion to \$20 billion. In other words, our regulated CapEx spending over the next three years will result in a 25% increase in our rate base. I am sure you all know how this works. The key message here is that the returns generated from a growing rate base ultimately translate into long-term earnings growth.

In closing, I want to talk a little bit about our balance sheet and the financial flexibility it provides. We will maintain the Company's financial strength and preserve the investment-grade credit ratings we currently enjoy. Our goal is to have a capital structure that will support the existing dividend and all of our growth objectives. Starting with our initial debt balance of approximately \$12 billion, our debt-to-capitalization ratio is expected to grow to the low 40% range by 2009. This capital structure will allow us to grow our rate base without issuing equity.

As I have said before, I believe the most important credit measure is funds from operations. Our FFO interest coverage metrics are strong. We expect Duke Energy to have a FFO interest coverage of about 5 to 5.5 times. The table on this slide compares our post-spin credit metrics with Standard & Poor's requirement for an A rating and a BBB rating. In each of these metrics, we satisfy S&P's A rating requirement. This clearly shows that we have the financial flexibility and the strength to pursue our plans for both business and dividend growth as outlined today.

Our solid capital structure will also provide flexibility for share buyback programs. As I stated in our third quarter earnings call, the Board approved the re-initiation of our share buyback program of up to \$500 million beginning in January. We have put into place a plan such that shares of Duke Energy post-spin will be bought if and only if the stock price hits the pricing points established in the plan.

With that, I will turn it over to Jim for closing remarks.

Jim Rogers - Duke Energy Corporation - President and CEO

Thank you, David. Ours is a rather straightforward story. We are well positioned to deal with the industry challenges, while growing earnings and dividends in the future. We have doable regulatory plans. We have set a 2007 employee incentive target of \$1.15 per share, on which we expect to grow ongoing earnings by 4% to 6%. We have a yield of approximately of 4% and our payout target is 70% to 75%. When you put all this together, what we have at Duke Energy is a solid investment proposition as we meet the challenges in the future.

With that, we are prepared to take any questions from those of you who are here today.

QUESTION AND ANSWER

Craig Shere - Calyon Securities - Analyst

Quick question for David, and then one for Jim. David, I just want to be totally clear that I understand this, you are starting out in the upper 30% debt-to-cap range, and given a very healthy growth CapEx budget over three years, you are saying through 2009, you absolutely do not need to issue any equity and that will get you to what you mentioned was below 40% debt-to-capital in 2009. And you will support this large budget through that time without any equity whatsoever. Do I understand that correctly?

David Hauser - Duke Energy Corporation - Group Executive and CFO

That's correct. With the current CapEx plan, you end up in the low 40s and there is no equity issued in this plan. That's exactly right.

Craig Shere - Calyon Securities - Analyst

Okay. And Jim, can you comment on how the tax credits that you were just awarded was actually -- I think you were the largest award winner with respect to that. It sounds like a lot of money, but since these are regulated projects, so they just increased the likelihood of the project, gets approved and completed and so that helps with the game plan you set forth. But these tax credits and sales don't flow to your bottom line for shareholders; they actually will just defray some of the pass through to rate payers. Am I understanding that right?

Jim Rogers - Duke Energy Corporation - President and CEO

That's a correct understanding. It reduces the cost, which we will pass through to our customers.

Craig Shere - Calyon Securities - Analyst

Thank you.

Greg Gordon - Citigroup - Analyst

I have a follow-up question on the balance sheet. I have got a couple of questions on the EBIT growth targets. Just do the rough numbers on the balance sheet, looking at 2008, 2009, if you hit your earnings growth target and depreciation grows and you are getting recovery of your capital costs, I don't even see how your debt-to-cap balance should grow because you are going to be generating \$1.5 billion to \$1.6 billion in retained earnings and you don't need to -- your CapEx, your negative cash flow is going to be a little bit -- even a little bit less than that. So, how do you even see the debt-to-cap ratio on a core corporate level growing unless you are assuming that you are going out doing other things with the balance sheet? Could you explain that because it looks like you are in even stronger position than you are sort of laying out here?

David Hauser – Duke Energy Corporation – Group Executive and CFO

A couple of points. We think we are in a very strong position. The cash flow is negative in '08 and '09, as we have said before. And so, basically the growth in the debt portion of the balance sheet is what I would call very, very modest.

Greg Gordon – Citigroup – Analyst

And when you look at your balance sheet from a strategic perspective, I know obviously you feel pretty good about being able to fund all of the needs of the existing business internally. But, it looks like you have some, at least a little bit of dry powder, if an opportunity were to avail itself outside your core businesses, how are you guys thinking about looking at that?

David Hauser – Duke Energy Corporation – Group Executive and CFO

Well, from a balance sheet perspective, we absolutely have the strength to look at ideas if there is good ideas that come down the road. We clearly have that dry powder from a balance sheet perspective.

Greg Gordon – Citigroup – Analyst

And then Jim, you have talked about in other meetings, the concept of sort of Phase II synergies. You didn't mention them specifically today, but you have got a \$215 million drag in your EBIT from other expenses and overheads. You have talked about the concept of trying to aggressively look at that and see if there is other ways you can reduce cost respectively. And I think those are all outside of the regulated jurisdiction cost. Is there any potential for -- or is that one of the things that you see driving EBIT growth in your targets or would that be something incremental to your current targets?

Jim Rogers – Duke Energy Corporation – President and CEO

Those initiatives are consistent and support the 4% to 6% earnings growth.

Greg Gordon – Citigroup – Analyst

Okay. There are two other nits and nats. Does the \$90 million of accounting -- the purchase accounting, the negative impact of purchase accounting, does that roll off fairly aggressively and is there sort of [how] quickly did that amortize down?

David Hauser – Duke Energy Corporation – Group Executive and CFO

It drops dramatically in '08 and again in '09.

Greg Gordon – Citigroup – Analyst

And then in Ohio, last question, you talked about the need for 1,500 megawatts of capacity there. And how many megawatts do you have sort of sitting in your merchant business in the Midwest right now that are against that \$60 million EBIT loss? Would one of the strategies be to look at that as being the potentially least cost option to serving that capacity need?

Jim Rogers – Duke Energy Corporation – President and CEO

It would be our judgment that that would a very -- it would fall into the category of being least cost option for our customers in Southern Ohio to use some of that generation and have it dedicated in the long-term to those customers.

Greg Gordon – Citigroup – Analyst

So, if you were to propose that you would propose that it would earn some sort of revenue stream commensurate with a fair return on that capacity?

Jim Rogers – Duke Energy Corporation – President and CEO

I think -- I tried to be very precise in the way I said it and that is, we want legislation that provides for both building and purchasing generation to include it in the rate base of the regulated utility in Ohio.

Greg Gordon – Citigroup – Analyst

Thank you.

David Hauser – Duke Energy Corporation – Group Executive and CFO

Let me just add one thing. The reason we laid out the drag there of \$60 million and told you what that number was because there is clearly options there that could approve upon that.

Scott Thomas – Lehman Brothers – Analyst

Good morning gentlemen. Just a quick question. You guys talked about at EEI, some of the transition costs next year, some of the ongoing service fees between the businesses as you are separating them. Can you point to either revenues or cost at Duke that are baked into \$1.15 for next year or magnitude, directionality, that kind of thing?

David Hauser – Duke Energy Corporation – Group Executive and CFO

Well, the reimbursement of transition service agreement is baked into this. But, it is a very modest number.

Scott Thomas – Lehman Brothers – Analyst

Thank you.

Paul Fremont – Jefferies – Analyst

Of the \$9 billion over the next three years, how much of that is new construction of power plants?

Jim Rogers – Duke Energy Corporation – President and CEO

It's a small percent of it. I am trying to think it is about, from the nuclear standpoint, it's probably \$150 million; from the IGCC, I think in the third year, David, there is a small amount?

David Hauser – Duke Energy Corporation – Group Executive and CFO

Yes. To tell you the truth, I'll be darn if I remember that number, but we will look it up and get it back to you.

Jim Rogers – Duke Energy Corporation – President and CEO

And out of the \$9 billion though, I think it's a small part of that.

Paul Fremont – Jefferies – Analyst

Okay. So, most of it really doesn't depend on the regulatory approval process within those states. Is there any type of a breakout to where the spending is taking place, in terms of which of the regulated utilities are spending what? Or will that be available as part of -- or do we have to wait for the 10-K?

David Hauser – Duke Energy Corporation – Group Executive and CFO

We haven't provided a specific breakout for forward looking. But most of it, you have the IGCC in Indiana, but then -- and the environmental in Indiana, and then most of these expenditures are really in the Carolinas because no generation has been built in the Carolinas in a long, long time.

Jim Rogers – Duke Energy Corporation – President and CEO

I think another way to think about it is, from an environmental standpoint, we just recently had approval in Indiana for \$1.1 billion. And that's really tied to complying with the tiered rule and the merchant rules, so that's kind of a segment of it; probably about \$1.5 billion annually is tied to just maintenance capital.

David Hauser – Duke Energy Corporation – Group Executive and CFO

That's right. That's absolutely right.

Jim Rogers – Duke Energy Corporation – President and CEO

Which corresponds a lot with our depreciation and other amortization.

Paul Fremont – Jefferies – Analyst

And the last question is, in terms of the equity number for the Duke Carolinas, is the Duke LLP equity number sort of a reasonable number to use or we need to make adjustments to that in order to figure out how to get to what the regulators are looking at it as the equity?

David Hauser – Duke Energy Corporation – Group Executive and CFO

For Duke Energy Carolinas, what would be the equity? It would be a bit lower than the corporate equity percentage. It would be more in the 55% range.

Paul Fremont – Jefferies – Analyst

Thank you.

Ashar Khan – S.A.C. Capital Management – Analyst

David, I don't know if you could help us a little bit going to slide 17 where you give the EBIT projections, because 2006 was a partial year and we don't have a pro forma for the combined entity. Could you just tell us on a pro forma basis, what percentage increase is there on a year-on-year basis approximately in '07 for each of the line categories, primarily the top two, the US Franchised Electric and Gas and Commercial Power?

David Hauser – Duke Energy Corporation – Group Executive and CFO

Well, let me give you a couple of numbers because I can't answer your question exactly like you have asked it, but we have told the world it would be \$1.95 billion for Franchised Electric this year. But, we have not gone back and pro forma'd in '06 with synergies for the full year. So, we have not gone back and done the work to pro forma in the different categories for '06.

Ashar Khan – S.A.C. Capital Management – Analyst

Okay. What was the Commercial Power number?

David Hauser – Duke Energy Corporation – Group Executive and CFO

I've got it.

Ashar Khan – S.A.C. Capital Management – Analyst

And then, if I can just follow up with the question, if I attribute the \$2.3 billion EBIT to the \$16 billion rate base, we are getting ROEs in the like 13% or 14% -- 15% ROE that you are earning right now. And so, I am trying to understand is there any implication of any rate increases in this 2009 timeframe? Or are you expecting no rate increases to support this rate base growth in the different jurisdictions?

David Hauser – Duke Energy Corporation – Group Executive and CFO

Let me go back to question one, before I go to question two. The Commercial was \$250 million -- was what we told world that it would be for '06. So, does that cover that?

[NOTE: The original EBIT estimate for 2006 was \$325 million and included \$75 million of EBIT associated with the marketing and trading business that was sold in the third quarter along with \$60 million positive EBIT related to purchase accounting.]

Ashar Khan – S.A.C. Capital Management – Analyst

Yes. That covers that. So, that \$250 million of course had a positive for the purchase accounting, am I right, to be apples to apples?

David Hauser – Duke Energy Corporation – Group Executive and CFO

That \$250 million [please see note above] is what we were projecting at the beginning of the year. And so, it would have had some earnings for CM&T which we have sold and it would have had some numbers for purchase accounting that was positive.

Ashar Khan – S.A.C. Capital Management – Analyst

Okay.

David Hauser – Duke Energy Corporation – Group Executive and CFO

So, the next question is out there. Rate increases --

Ashar Khan – S.A.C. Capital Management – Analyst

Are there any rate increases built into in any of the jurisdictions to achieve this 4% to 6% growth rate by 2009.

David Hauser – Duke Energy Corporation – Group Executive and CFO

As Jim covered, there are no base rate increases in here. There are price increases associated with fuel and CWIP in rate base riders and the environmental riders in Indiana. But, there are no base rate cases assumed in this particular plan that we have laid out.

Ashar Khan – S.A.C. Capital Management – Analyst

Okay. If I can lastly ask, is there something you could give us, this \$9 billion rate base, how that is broken down into the three different jurisdictions, I guess, Ohio, Kentucky, Indiana, North Carolina, South Carolina, where is the majority of this rate increase happening?

David Hauser – Duke Energy Corporation – Group Executive and CFO

Where is the majority of the rate increase associated with CWIP and those things you mean?

Ashar Khan – S.A.C. Capital Management – Analyst

No, the rate base, \$9 billion rate base increase. So, like the chart you have on page 21 broken down with \$10, \$4 and \$2 billion, what will it look like in 2009, the \$20 billion number?

David Hauser – Duke Energy Corporation – Group Executive and CFO

I don't have that specifically, but that goes back to the same question on the generation, and there are more capital expenditures in the Carolinas than there are in Indiana and Ohio, except for Indiana [also has] the environmental and the IGCC. So, I don't have the specific numbers. But, directionally, it would be bigger in the Carolinas, Indiana would be second, Ohio would be third.

Ashar Khan – S.A.C. Capital Management – Analyst

Thank you.

Carl Seligson – Nyack Management – Analyst

I need a little help with math, Dave. You have the rate base going from \$16 to \$20 billion. That sounds like four on 16, I think of it being 25%, you guided 20%. Could you explain where I went wrong?

David Hauser – Duke Energy Corporation – Group Executive and CFO

Carl, as I was reading my speech, I thought darn, it's 20% of the ending number, it's 25% of the beginning number. You are exactly right.

Carl Seligson – Nyack Management – Analyst

Okay, thank you. Given that size increase in rate base in the three-year period, how do you only project 4% to 6% increase in earnings. Don't earnings track rate base, or is this a function of regulatory lag or not asking for increases based on the increase in rate base?

Jim Rogers – Duke Energy Corporation – President and CEO

It's a timing issue. On the expenditures that we make that are subject to a CWIP tracker like in Indiana in \$1.1 billion of environmental, that is tracked with a kind of a lag out a few quarters. With respect to CWIP trackers that we are pursuing legislation on in the Carolinas, that will also, depending on how the legislation comes out, track. But, what it really says to you in a way is that we have significant earnings growth post-09 as -- because there is a natural lag of including these in rates to get recovery.

Carl Seligson – *Nyack Management – Analyst*

Fine.

Jim Rogers – *Duke Energy Corporation – President and CEO*

So, what it is really projecting is that we have sustainable growth beyond '09.

Carl Seligson – *Nyack Management – Analyst*

Finally, in terms of the recent [inaudible] for coal plant -- 50%. Do you those kinds of increases in the future in capital expenditures generally? Or is it just something that you had on the shelf from years ago or let's have it, why all of a sudden this 50% increase? What happened?

Jim Rogers – *Duke Energy Corporation – President and CEO*

If you look at 2005 and 2006, you see significant increase in material cost and the projected cost of field labor. I mean you have over 100 plants that has been proposed in the United States, and that's just in the United States. And today, this is a worldwide market of building a coal plant. India and China is going full speed ahead in building plants and what you are seeing in that sector, significant increases of costs across the board.

And coal plants today are going to cost between, in my judgment, \$1,500, \$1,800 to \$2,000, in that range per kilowatt to build, going forward in the future. We spend time with all our engineering procurement people looking at these numbers, and when we made our filing, we made it clear that this is still the low-cost alternative going forward in the future.

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

Can I go back to one question that was asked just -- I think I have got the answer. The question was only expansion capital. And basically the expansion capital of \$600 million, \$1.2 billion and \$1.8 billion, '07, '08 and '09 and of that \$300 million per year is customer adds and the balance is really power plants. I think that probably answers that question.

Paul Patterson – *Glenrock Associates – Analyst*

Good morning. I wanted to ask you guys about synfuel. You mentioned that your tax rate would be higher without it, and if you could just remind us about what the economics are with hedging and what your assumptions are for oil prices in 2007, I think that might be helpful. And also in terms of the buyback and the pricing point plans, are we going to be able to find out what the pricing point plan is, or get more details in terms of how that's going to work?

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

Okay, on the synfuel, the plan includes synfuel earnings. It includes that's driven out by oil price of \$65. So, if it is better than that, we will do a little better. If it is higher than that, we will do a little worse. Does that answer the synfuel question?

Paul Patterson – *Glenrock Associates – Analyst*

Okay. The 2.5% differential in tax rate goes directly to the bottom line. Is that right? That is in the cash tax, if that's the actual net income impact that we get is the difference between the \$35.5 million on EBIT versus the --?

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

The net income is about \$0.03 on synfuel. And you can't look at purely on the tax rate because there are O&M costs, and then there is the tax benefit and you have to net it to bottom line to get to the \$0.03.

Paul Patterson – *Glenrock Associates – Analyst*

Okay, that answers the question.

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

What was the second question?

Paul Patterson – *Glenrock Associates – Analyst*

On the buyback plan, I mean you mentioned these pricing points and I don't know if you are ready to share with us what those pricing points are, if they will be shared -- can you elaborate a little bit more on that?

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

We have put a grid in place, and no we are not willing to share what the pricing point is.

Paul Patterson – *Glenrock Associates – Analyst*

Okay.

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

You would have been disappointed in us if we agree to do that.

Paul Patterson – *Glenrock Associates – Analyst*

And then, just a follow-up on Greg's question about the amortization. You said it falls off dramatically in '08 and '09, could you quantify a little bit what that is going to be like?

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

On the purchasing accounting?

Paul Patterson – *Glenrock Associates – Analyst*

Yes.

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

The number I have with me just goes through '08. It dropped to under \$20 million in '08.

Paul Patterson – *Glenrock Associates – Analyst*

Thanks a lot.

Barbara Chapman – *Guardian Investor Services – Analyst*

Hi, can you talk a little bit about the recent Supreme Court remand in Ohio on the Rate Stabilization Plan? And then segue that into the process of which you will pursue legislation next year, and the status of Alan Schreiber? And on the legislative issue, there is one utility in the state that's adamantly opposed to anything short of going to market base rate, so how are you guys going to reach the consensus in this state?

Jim Rogers – *Duke Energy Corporation – President and CEO*

First of all, the Supreme Court decision, the primary thrust of the opinion was to support the Rate Stabilization Plan. Although they raised questions about two components of it, the ACC and the IMF components and effectively what they have asked the commission to do is to go back and give them the reasoning and the record evidence to support those parts of the plan.

And one of our -- we have pending before the commission increases in both of those components, and we are working with the commission staff as to the way forward in light of the Supreme Court decision. So, more to come on that, not resolved yet with the commission staff.

In terms of our legislative initiative, as I said earlier, we are really thinking about this on two tracks. One track is extension of the Rate Stabilization Plan. We are very comfortable with how the plan works. We think it is a fair plan to both customers and to investors. So, we have asked for an extension. And with the Supreme Court decision and with the right record support on those two factors in the plan, I think clearly the commission has the authority to move forward.

At the same time, I think there is a strong desire across the state to allow for regulated companies to build or purchase new generation to serve the load that's growing in the state. There are differences of opinion between the various companies, but I think the one thing that we all agree on is that existing generation that was deregulated should stay deregulated. And Tony can say that with more feeling than Mike could say that. But I think the bottom line is we all agree that that generation has been deregulated and that is in the rearview mirror and there is no reason to revisit that.

The tougher question is what do we do with the building of new generation and I think with our new Governor who comes from the Southeast part of the state, the coal producing region of the state, there is a belief that we need to be building new plants in the state to meet our loads, so that we become a net generator, not an importer, to be more of an exporter of power from the state and that we need to build new, not only just to serve the load, to be positioned to develop those reserves in that part of the state. So, again, all this really cranks up in January, but we are hopeful that a consensus may come together, we will get legislation that would allow for that going forward.

Scott Engstrom – *Satellite Asset Management – Analyst*

Couple of questions. I want to follow-up on the balance sheet over the forecast period and the changes in there. As I look at it, on the rough numbers you gave, \$1.5 billion of net income, \$1.1 billion of dividend. So, you are growing equity by \$400 to \$500 million a year and you have a cash flow deficit of \$1 billion or \$1.1 billion. That's sort of the -- that will be funded with debt. So, that would take you from kind of the high 30s to the low 40s. Is that --?

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

That was the math.

Scott Engstrom – *Satellite Asset Management – Analyst*

Okay, great. And then on the -- another way of asking on the share repurchase program, can you talk about -- is that suppose to [mean] sort of a floor if the market does not appreciate the financials of the Company, that that Company can step in and provide a floor? Or is it meant to be your ceiling where if you get too excited about the opportunities, and you think the stocks is going to run away from you and it doesn't fit in the financial planning that you will step in to buy it before it gets too high?

David Hauser – Duke Energy Corporation – Group Executive and CFO

Well, that's a convoluted question. I would view it this way. I would view it -- we simply don't know how much turn occurs in the stock when you do this. So, we have put in some pricing points that we would be opportunistic if they got hit.

Jonathan Arnold – Merrill Lynch – Analyst

I have a couple of questions just to be clear. Jim, you said that the 4% to 6% doesn't include any growth capital or you won't need any growth capital to achieve that. Is that growth capital beyond what you are showing us in the \$9 billion CapEx?

Jim Rogers – Duke Energy Corporation – President and CEO

I said, yes. That's correct. Nothing -- other than what we have talked about. And I think the way I said it is, that we don't have an assumption with any -- for any incremental growth capital with respect to our other business segments other than the growth capital in the Franchised Electric and Gas. That's correct.

Jonathan Arnold – Merrill Lynch – Analyst

And then one more for David. On the \$80 million projection on interest income for cash balances, you start with \$1.6 billion of cash, you are projecting to use \$1.1 billion and then there is potentially the buyback. What kind of -- that number doesn't seem to quite compute with \$80 million unless the balance stays towards the higher end throughout the year. And you are obviously going to add debt to fund the cash deficit, what kind of cash balance do you see yourself running on an ongoing basis?

David Hauser – Duke Energy Corporation – Group Executive and CFO

By the end of next year, the cash balance will be down to \$500 million or so. A lot of that does occur in the back half of the year, it's the big driver. And there is various other small things in interest income that drives the \$80 million.

Jonathan Arnold – Merrill Lynch – Analyst

Should we assume you keep it at \$500 million on an ongoing basis?

David Hauser – Duke Energy Corporation – Group Executive and CFO

I don't think we have made an express decision on that, but that's a reasonable number I think.

Jonathan Arnold – Merrill Lynch – Analyst

Thank you.

Craig Shere – Calyon Securities – Analyst

Jim, you have been a major proponent of industry consolidation and it seems like you are getting good at managing a different set of assets, as CEO, about every nine months. What should we think about in terms of your time table in your mind for proving out the efficacy of most recent Duke/Cinergy merger, getting those synergies in your books and having a stable business platform after the separations, move forward with further industry consolidation, is it a matter of quarters, is it a matter of years, what's your viewpoint?

Jim Rogers – Duke Energy Corporation – President and CEO

I have said all along that we have to earn the right to do another deal and it's way too early to talk about another transaction. And I have also said that our focus is to get the merger savings, to get the regulatory initiatives approved and what we really are trying to have our management team do is stay focused on the basics. I call it being focused on the cake. If an opportunity comes along and it's accretive and makes sense, that will be the icing. But our focus is on the cake first, and we still have more to prove in terms of getting the earnings growth and the merger savings and we have got to do that first and that's our primary objective.

Craig Shere – Calyon Securities – Analyst

Do you think you can prove your point in the first year?

Jim Rogers – Duke Energy Corporation – President and CEO

I am not going to let you take me down this road, I mean it. We are focused on the business. Whatever comes, comes. But our focus is on growing this business. We have huge opportunities. We have great regulatory plans, we have to get them implemented. And I think that to date though, we have done a good job. I mean we are getting the approvals in 11 months. But, we have more things to do going forward and that's really around the base business.

Greg Gordon – Citigroup – Analyst

Jim, you have been the leader in the industry in talking about the need to collectively address carbon and we have all I think, have been thinking about a little bit more in the last six months than we did in the prior six years. And we had a mid-term sweep, Democrats are in Congress now and there was actually an article in the Wall Street Journal earlier this week, talking about the Bush administration actually might be thinking about modifying its stance on the pursuit of a carbon framework.

Could you tell us what you think is really happening in terms of momentum towards codifying a federal standard as opposed to this -- what looks like the evolution of a mosaic of regional frameworks of Reg G and the California initiatives?

Jim Rogers – Duke Energy Corporation – President and CEO

Now, the critical calculus changes almost every day. I was actually in Washington yesterday. And I think one of the data points I took out of it is and I was meeting with Senator Boxer's staff over the last week and it's pretty clear while they might hold a lot of hearings on carbon regulation, I don't think there is a desire to do anything until after of the 2008 election.

Well, I personally believe that we need to have action now on carbon. I think the politics has kicked in and rather than the new Democratic Congress acting on it, they are going to reserve on it, do a lot of hearings, build a record, and then with aspirations of achieving something post-election. So, my calculus is really -- from a timing standpoint, is around legislation '09 or '10, not to become effective until probably five years after.

The important point to remember is that when we had SOx legislation in 1989, 1990, it would naturally -- the requirements didn't kick in until five years later, called the ready period. Same is true with NOx in terms of five years later. So, if you have legislation in '09 or '10, you need to think about it as five years after that point, which in a way dovetails very well with where a lot of people are characterizing Phase II [Kyoto]. Maybe that's more detail than you want.

Greg Gordon – Citigroup – Analyst

2012, right. So, Kyoto expires in '12.

Jim Rogers – Duke Energy Corporation – President and CEO

In '12, but I am thinking that with the '09 or '10, they might accelerate it and do something modestly in '12, but most likely any reductions would be five years out. If they stick to the regulatory construct that they had before on SOx and NOx.

Greg Gordon – Citigroup – Analyst

Do you think that Reg G and whatever California standard gets developed would get implemented anyway or do you think that the states would choose to postpone and try to synch up with the federal initiatives?

Jim Rogers – Duke Energy Corporation – President and CEO

I think at the end of the day we need national legislation. I was with Bill Reilly recently, former Head of the EPA. He made an interesting observation. Every major piece of environmental legislation in this country was -- there had been state legislation on that subject before. It's unclear exactly what the legislation will look like. But I know one issue that's a die-on-the-hill issue from our standpoint and that has to do with the allocation of allowances.

In the Midwest and the Southeast, we are dependent on coal. They have a very harmful impact on our consumers. If they didn't allow, as they have with SOx and NOx, allow for some allowances to be given to the companies and the consumers of that region to smooth out the transition to carbon regulation and that's -- our hope is going to be the outcome of the any mandatory carbon regulation going forward.

James Crichton – Scout Capital – Analyst

[inaudible] Can you talk about the importance of your International operations, how strategically valuable they are to you? And in the [assets there], is it something that it's critical to your portfolio, can you just elaborate on what the returns on capital that you expect from those assets? Thank you.

David Hauser – Duke Energy Corporation – Group Executive and CFO

The assets in the area that we are focused on Brazil, Peru and Argentina have been improving steadily. They do earn solid double-digit returns. Is it strategic to us? They are good assets. We are very comfortable with them. We have said, if an opportunity came to grow them in the range of couple of hundred million dollars, we would take a look at it. But, at the end of the day, they are not critical to our core Franchised Electric business, if other opportunities came along [for them].

Devin Geoghegan – Zimmer Lucas – Analyst

Good morning. Just two quick questions. One, you said you are pursuing a legislation in the Carolinas for CWIP. I thought progress in possibly Duke in the [80s] had CWIP, when they wanted to make CapEx spend, I was confused why you guys needed the legislation does come around?

Jim Rogers – Duke Energy Corporation – President and CEO

The legislation in the Carolinas is really tied to only getting CWIP if we demonstrate financial distress. And my judgment is, is that you need CWIP just to smooth out the impact and reduce the cost to consumer, because I don't believe that it's necessary or appropriate to have CWIP only in a circumstance where you demonstrate financial distress.

I think it makes sense for healthy companies as the way to stay healthy, but also it reduces the cost to consumers because you are not accumulating as much AFUDC during the building period as you would without CWIP. So, it smoothes it out, it reduces the cost to the consumers, and there is just a strong benefit to both company -- investors and the consumers to have it as part of the regulatory regime.

Devin Geoghegan – *Zimmer Lucas – Analyst*

Great, thank you.

Jim Rogers – *Duke Energy Corporation – President and CEO*

Other question?

Phyllis Gray – *Dwight Asset Management – Analyst*

Could you say more about how you will be containing construction costs going forward? And at what point [inaudible] prices [for] projects?

David Hauser – *Duke Energy Corporation – Group Executive and CFO*

The statistics I laid out was with regard to the environmental projects that 85% of the costs of the materials is already locked up. So, that is one big step. The second step is we will be contracting for the major construction projects with a third party and we will have a Project Manager on-site that is very experienced. It is a real issue today that we are very focused on. I am not sure I could give you a lot of specifics, other than we will be contracting upfront for the key components and locking in the cost.

Phyllis Gray – *Dwight Asset Management – Analyst*

[inaudible]

I am not sure we have resolved all that, but I would say in the norm would be we would lock up the cost for materials and we would assume the risk of the labor.

Jim Rogers – *Duke Energy Corporation – President and CEO*

Other questions?

Bob Meyer – *Roosevelt Investment Group – Analyst*

Can you talk a little bit about the public policy of rising electric rates leading to consumers getting cut off? I noticed a lot of stories about this lately, and some legislation state-wide. Is that a problem you think you are going to deal with more in the industry?

Jim Rogers – *Duke Energy Corporation – President and CEO*

I think we have had a decade and a half of the real price of electricity actually decreasing. Over the last several years, we have seen real price actually increasing. But, from -- every state has different rules about connects and disconnects, with respect to non-payment of bills. And so, it really varies all over the board between the various states.

Ashar Khan – *S.A.C. Capital Management – Analyst*

David, can you just explain to me the mechanics of this purchase accounting? If I am right, in '06, it is \$90 million; in '07, it is \$80 million and in '08, you said it goes down to \$20 million. Could you just tell me what the dynamics are that there is only like \$10 million differential between '06, '07 and then what drives it like [lower] like \$60 million in '08?

David Hauser – Duke Energy Corporation – Group Executive and CFO

There is a huge list of things that are in purchase accounting because keep in mind that the fundamental of purchase accounting is you value the assets at current market value of the company you are acquiring. So, in this case, all the assets of Cinergy were put at current market value. And as part of that, it included the RSP contracts.

So, a big piece of the movement in purchase accounting is associated with what was the belief of the market price of electricity in Ohio in '06, '07 and '08 versus the RSP price and the differential thereof. That's the biggest single item that causes those numbers to move. But that being said, there are emission allowances, there is coal, there is power plant, there is a lot of different things, but that's the biggest one.

Ashar Khan – S.A.C. Capital Management – Analyst

So, in essence, in '08, there is a very little difference between market prices and the RSP price, and hence the purchase accounting adjustment is the lowest in 2008. Is that -- am I right?

David Hauser – Duke Energy Corporation – Group Executive and CFO

I think that's a fair way to look at it, keeping in mind that all of this was done as of April 3, the date of close.

Ashar Khan – S.A.C. Capital Management – Analyst

Okay. And then, could you just elaborate a little bit the 4% to 6% growth rate, is it all coming in from the Franchised side or how should we look at those four sectors going forward in terms of their growth rate for the next three years?

Jim Rogers – Duke Energy Corporation – President and CEO

It's primarily coming from the Franchised Electric and Gas.

David Hauser – Duke Energy Corporation – Group Executive and CFO

With the one exception of the roll-off of the purchase accounting causes the growth rate in Commercial Power.

Ashar Khan – S.A.C. Capital Management – Analyst

Okay, thank you.

Sean Trauschke – Duke Energy Corporation – VP of IR

Any other questions? Okay. On behalf of Jim and David, I would like to thank all of you for coming today. As always, if you have any questions in future, please give us a call and Investor Relations will be glad to help. Thanks, and have a good day.