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PRESENTATION

Operator

Good day, everyone, and welcome to the Duke Energy DEGT investor chat. Today's call is being recorded. At this time for opening remarks, I would like to turn the call over to the Vice President of Investor and Shareholder Relations for Duke Energy, Ms. Julie Dill. Ms. Dill, please go ahead.

Julie Dill *- Duke Energy - VP-Investor and Shareholder Relations*

Good afternoon and thank you for joining us today. We do apologize for having this call so late in the day but we've just concluded our Board meeting. With me today are Martha Wyrsch, President of Duke Energy Gas Transmission and Paul Anderson, Chairman and Chief Executive

Officer of Duke Energy Corporation. In addition Fred Fowler, President and Chief Operating Officers is also with us and available to answer your questions.

Martha will start off today's call with a discussion of the North American gas business and the growth opportunities we see there and Paul will follow with a brief review of 2005 and the company's initial outlook for 2006.

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

This presentation and our discussion today will include statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of the securities laws, and include statements regarding benefits of the proposed merger with Cinergy and anticipated future financial operating performance and results. These statements are based on the current expectations of management of Duke Energy. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. These factors are referred to in the written presentation and there are other factors that may affect the future results of Duke Energy which are set forth in its most recent Form 10-Q and other filings with the SEC. The written presentation and such filings are available at Duke Energy's website: (www.duke-energy.com/investors) and are filed with the SEC.

In addition, today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures will be made available on our investor relations website at: www.duke-energy.com.

As I mentioned before, we will provide you with our initial views on 2006 today. We will provide a more detailed view of 2006 along with the release of our 4th quarter and year-end 2005 earnings. This will allow us to discuss our future expectations in more detail for our lines of business within the context of our final 2005 earnings, financial position and outlook associated with the merger with Cinergy.

Of course, Martha will be more than happy to answer any questions you may have on the North American gas market. Following Martha and Paul's prepared comments we will open the lines for your questions.

With that I'll turn the call over to Martha.

Martha Wyrsch - ***Duke Energy - President & CEO -Duke Energy Gas Transmission***

Thank you Julie, and good afternoon.

The Gas Transmission business at Duke Energy is a solid, consistent contributor to earnings and cash flow.

Our pipeline system consists of over 17,000 miles of transmission system in the US and Canada. This transmission system is linked with over 250 Bcf of storage in both the supply area and the market area.

In Ontario, we serve over 1.2 million retail customers through 35,000 miles of distribution pipe.

Our assets are primarily concentrated in the east due to our Texas Eastern/Algonquin roots; however, in British Columbia we own and operate world class sour gas gathering and processing facilities and a strategically located pipeline.

DEGT's western Canada position grew with the transfer of the DEFS Canadian assets and the acquisition of ConocoPhillips Empress operations earlier this year.

And, today we closed on the initial public offering of 14 million trust units of the Duke Energy Income Fund in Canada.

I will talk more about the Income Trust more in a few minutes.

The portfolio of assets that we own, serving diverse markets, diverse supply basins, and diverse customers has given DEGT the ability to deliver solid predictable earnings year in and year out.

DEGT is a recognized leader in the industry with proven strengths and enviable growth opportunities.

We connect Gulf Coast, Eastern Canada, British Columbia, Appalachian and LNG supply to premium markets across North America.

By integrating storage into the DEGT transmission system, we differentiate our services with added flexibility and reliability.

Furthermore, we add value by integrating our physical assets, organization and customer information technology, providing opportunities to both cut costs and add revenues.

Our management is experienced in regulatory and marketing matters and we balance the requirements of those two areas quite well.

Our high-quality customers are comprised primarily of regulated LDCs with long-term contracts with a high rate of contract renewal. For example, in 2005 we had a contract renewal rate on Texas Eastern of over 99%

Finally, our customers have come to depend on DEGT – on our employees and our assets – for the critical gas services they require.

The fundamentals of North American natural gas flows are changing, along with the competitive landscape, which provide us with many opportunities for growth.

This summary slide of our projects reflects:

- Continued growth in storage, particularly at Saltville, Egan, Accident and Dawn, to increase reliability and reduce volatility.
- The initial emergence of connections for new LNG import terminals.
- Continued expansion in our higher growth southeast markets.
- Expansion of transportation away from the Dawn hub to meet growing demand in Ontario.
- Infrastructure growth to meet the needs of our northeast markets, including projects such as Ramapo, Cape Cod and Islander East.

We see the market evolving and the supply picture shifting and we are adjusting to the new environment by offering open seasons on our Lebanon East and Southeast Supply Header projects.

Let me now walk you through the regional opportunities we see for DEGT.

DEGT recently announced the Southeast Supply Header, a proposed joint venture pipeline with Centerpoint Energy that will allow our Gulfstream and Texas Eastern customers the flexibility of access to incremental onshore East Texas supply, primarily from the Barnett Shale, Fayetteville Shale and Bossier Sands plays.

Centerpoint has a 1.3 Bcf/day expansion from Carthage to Perryville that will access East Texas supply. The Southeast Supply Header would connect to this expansion, cross over and inter-connect with the Texas Eastern pipeline and connect to the west end of Gulfstream.

We are also looking into new and expanded salt storage at our Copiah and Egan locations.

Also, let me remind you that earlier this year we placed into service the extension of Gulfstream over to eastern Florida to provide additional service to Florida Power & Light.

We also placed $850MM of financing on Gulfstream earlier this year.

Gulfstream is a 50/50 joint venture with Williams.

In August of this year, DEGT completed its acquisition of the remaining 50% interest in Saltville Gas Storage, along with other natural gas storage and pipeline assets in southwest Virginia, from AGL Resources.

This acquisition complements our East Tennessee system and provides us with opportunities to expand the only salt cavern storage located in the mid-Atlantic market area, assisting our customers in optimizing their transportation positions.

We are also connecting additional supply for our customers through our Jewell Ridge lateral, connecting East Tennessee to the Cardinal States Gathering System.

An expansion on East Tennessee is planned to increase service to Piedmont Natural Gas in North Carolina.

We have been very active in positioning DEGT to provide the take-away transportation service from LNG terminals in the northeast.

Both Anadarko’s Bear Head and Irving/Repsol’s Canaport projects received federal and provincial Environmental Assessment approvals in August 2004 and both have all major construction permits.

Maritimes & Northeast, our 77.53% owned joint venture pipeline, has precedent agreements in place with both entities and we are in the regulatory filing process with an expected in-service date in 2008.

Algonquin has also signed precedent agreements with Excelerate for their Northeast Gateway and BP for their Logan Lateral.

Over the next few years DEGT could spend over $1 billion to construct the facilities needed to provide the required take-away capacity for these LNG supplies.

Beyond LNG, we are moving forward with a project at Ramapo, New York to bring gas from the Millennium Pipeline into our northeast markets.

DEGT is looking to increase storage by over 6 Bcf at the Dawn Hub through conversion of existing natural gas production pools.

We have a project planned to expand capacity on Cape Cod and,.

On the Texas Eastern system, we will enhance reliability and flexibility of the Accident Storage Field as early as the winter heating season of 2006 to 2007 by:

- Improving deliverability at lower inventory levels.
- Increasing injection capability.
- Enhancing our overall performance capabilities of the field.

We recently announced an open season for an expansion of points east of Lebanon Ohio on Texas Eastern to access long-term supplies from the Rocky Mountain basins.

The Rockies is one of the few onshore regions with increasing incremental gas supply which is not currently directly connected to the highly liquid northeast markets.

The Rockies gas supply will be an important component of supply diversity for our eastern markets, and we are well positioned to bring that supply into those markets.

As demand for natural gas grows, DEGT is meeting that need through expansion of its existing facilities in the market area.

On the Canadian side of the border, the requirement for natural gas power generation in Ontario is leading to distribution and transportation opportunities at Union Gas.

Union Gas offers a unique service in the transportation market, providing access to its Dawn natural gas facility. With more than 150 Bcf of high-deliverability storage capacity, Dawn is the largest storage facility in Canada.

At Thunder Bay, Union is proposing to construct and attach a pipeline for the conversion of a coal fired power plant to natural gas.

Also, as part of Ontario's government coal displacement policy, Union expects to provide connections to the proposed St. Clair Power and Greenfield Energy Center power plants.

Union will be expanding its Dawn toTrafalgar transportation capacity by an additional 20% to reach markets in Ontario, Quebec and the U.S. northeastern region.

And, of course, we expect to continue to add 25,000 to 30,000 new customers each year to our core residential distribution business.

Our Western Canada operations have seen a lot of change this year.

In the Pine River area, we are increasing our gathering and processing capability and plan expansions in several other areas as production increases in British Columbia.

The Canadian operations of DEFS midstream business and ConocoPhillips' Empress system joined our portfolio this past summer.

And today, the initial public offering of the Duke Energy Income Fund closed. This fund is comprised of the Duke Energy Field Services midstream assets which we acquired earlier this year.

The units have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The securities regulations limit what we can say here in the US regarding this offering, but I did want to provide you with some color regarding income trusts.

A Canadian Income Trust is very similar to a US Master Limited Partnership.

Both are yield structured investments that are very competitive growth vehicles. They typically pass the tax liability to the unit holders, as well as a majority of the cash flow.

Unlike MLPs, Canadian Income Trusts are not limited to qualifying sources of income and range to businesses outside the energy sector.

Also, Canadian Income Trust sponsors hold an interest in the fund in the range of 30% to 70%.

Incremental distributions are also different – it is common for the General Partner in Canadian Income Trusts to receive less than 25% of incremental distributions whereas the GPs of MLPs can receive progressively higher percentage increases, up to 50%.

The investor profile between MLPs and the Canadian Income Trusts can also differ. Institutional investors participate very actively in the Canadian Income Trusts which is not the case with MLPs.

Duke Energy Income Fund is a midstream processor of natural gas; and this is a service that is essential in the natural gas industry.

The midstream sector gathers raw gas, owned by the producers, at the wellhead and transports it to facilities for processing to remove water, sulphur, carbon dioxide and natural gas liquids.

Midstream processing is a critical value-added service, and, is especially critical for sour gas, which requires more complex treatment.

Let me talk generally about the midstream income fund environment.

Natural gas industry fundamentals are strong at this time.

North American demand has increased steadily over the last 25 years and is projected to continue to grow at about 2% per year fueled by the need for electric power generation and heating.

As you can see on this chart, natural gas prices have increased over the last 10 years, from about $1.80 in 1994 to $7.50 today. These are in Canadian dollars per gigajoule and you'll note that 1 gigajoule equals about .95 MMBtu.

As a result of increased demand and higher prices, natural gas drilling activity in Western Canada has increased sharply from 5,000 well completions in 1994, to over 15,000 in 2004. Through September 1/2005 over 10,600 had been completed.

And, increasingly, this drilling activity is focused in deep, high pressure, sour gas reservoirs in Western Alberta and Northeast B.C.

Although we cannot talk in detail about the fund at this time, as I said earlier, I am very pleased to say the initial public offering of the Duke Energy Income Fund offering closed today and we look forward to this vehicle as another mechanism for growth along with the many opportunities I've discussed earlier.

Now let me turn the call to Paul for a review of 2005 and our 2006 outlook.

Paul Anderson - ***Duke Energy - Chairman and CEO***

Thank you, Martha.

As we quickly approach the end of another year, we look back over the last twelve months and feel really good about what we've accomplished in 2005. Duke Energy's operations are running smoothly and we're finding some really solid opportunities to grow our businesses.

Our Franchised Electric business has had a good year with strong summer weather, efficient operations and solid bulk power sales. Our natural gas transmission business, as Martha just covered, sees a long list of opportunities to deliver gas supplies to our various markets.

Field Services has had an exceptional year given the price of crude oil and NGL's and the forward curves suggest this pricing structure will continue for a bit longer. Our international operations are delivering solid results this year. They're benefiting from improved operations in Latin America, higher Brazilian FX rates and higher earnings from our National Methanol investment. And Crescent Resources will have a record earnings year driven by strong sales of land and residential lots.

I am especially pleased with the results from the business units as we did have a few 'distractions' this year that you may have noticed – yet our team never lost their focus on delivering value to our shareholders. We are definitely on track to exceed our 2005 incentive target of $1.65 per ongoing basic share

We did have several particularly significant accomplishments this year that I'd like to quickly review with you. Martha just talked about the closing of the IPO of our Canadian Income Trust which was part of the overall strategy we began in February, 2005 when we restructured DEFS and sold the General Partner of TEPPCO. That interest in TEPPCO along with our remaining LP units sold for approximately $1.2 billion. At the same time we announced we had reached an agreement with ConocoPhillips to reduce our ownership interest in DEFS from 69.7% to 50%, making us equal 50% owners. That transaction was valued at another $1.1 billion which came in the form of both cash and assets. The assets that moved from DEFS to DEGT were the assets that seeded the Canadian Income Trust.

We moved quickly to form another MLP within Field Services which has a more competitive cost of capital than TEPPCO and is an important structure for us to compete in the US Midstream Gas Industry. We are in a 25-day post IPO quiet period so I am not able to share anything more than what was in the prospectus, but suffice it to say we are very pleased with how this IPO has been received in the marketplace. The new MLP, which we call DCP Midstream Partners (with DCP being Duke ConocoPhillips) was launched earlier this month and it priced above the IPO range at $21.50 resulting in a 6.5% yield. After the underwriters' over-allotment option was exercised, DEFS retained 42% ownership including the 2% GP interest.

We announced a stock buyback program, repurchased over 30 million shares before we discontinued that effort as a result of our announcement in May regarding our proposed merger with Cinergy. In conjunction with the merger announcement, we raised Duke Energy's annual dividend by 12.7% to a $1.24 per share.

During the third quarter of 2005, our Board authorized the sale or disposition of substantially all DENA's remaining assets and contracts outside the Midwestern United States. Given the long-dated legacy contracts and the risks associated with trying to effectively manage those positions we made the decision to exit this business. We believe that decision is in the best interest of our shareholders.
In November we announced that we had reached an agreement with Barclays Bank to transfer substantially all of the derivatives contracts from DENA's portfolio and this agreement with Barclays essentially eliminates Duke Energy's credit, collateral, market and legal risk associated with those trading positions effective on the date of signing. The underlying contracts themselves will transfer to Barclays over a period of months. The remaining portfolio of contracts that remain at DENA are being marketed separately. With the completion of the Barclays transaction we will have transferred about 95% of the total portfolio. We currently have about 80% of the gas transportation, gas storage and structured contracts sold and we continue to make progress on that front. Contracts associated with the generation assets will go away once we sell those assets.

We feel very good about our progress related to the sale of the assets. These discussions are going well and we fully expect to exit DENA's discontinued operations by mid-year 2006 – well ahead of our September 2006 goal.
We continue to expect to receive a minimum of $500 million in net cash inflows from the final disposition of DENA's assets and contractual positions.

As far as the merger goes, we are very pleased with the progress we have made in securing our approvals. As you know, we have received state approvals from South Carolina and Kentucky.

In North Carolina we have reached a settlement agreement with the Public Staff and have completed hearings. We would expect an order early next year.

Last Thursday, we filed a settlement with the Indiana state regulators based on an agreement we reached with the staff of the Indiana Utility Regulatory Commission, the Indiana Office of Utility Consumer Counselor, and the PSI Industrial Group. And here too we expect action early in 2006.

And on Friday, we filed an agreement with the Public Utilities Commission of Ohio that was reached with various stakeholders. This agreement is consistent with the staff recommendation in that state, and we hope for approval by the PUC-O by year end.

On the federal level, just last week we received FERC approval of our merger application. And at the SEC we have filed our amended S-4, and we still anticipate holding our special shareholder meetings some time in the first quarter and look forward to closing in the first half of 2006. As we indicated back in September, our internal 'ready' date remains at April 1st.

So let's turn to 2006.

Our Board of Directors met this morning and approved an incentive target for all employees of $1.90 per ongoing diluted share. The minimum target below which there will be no payout will be at $1.75. Please note that 2006 will be the first year Duke will be reporting ongoing earnings on a diluted basis. As always, it is our intention that the company's ongoing earnings per diluted share number will track the EPS used for incentive purposes.

The $1.90 per share does assume a closing with Cinergy in the first half of 2006 and includes synergy savings we expect to receive from the combination as well as the sharing of cost savings with customers. Costs to achieve the merger are not included as those will be considered one-time charges.

The incentives for 2006 are focused on challenging management to deliver outstanding earnings growth. While EPS is the major component of our company's incentive structure, each individual will have various personal objectives, many of which are focused on the successful execution of the merger. For the leadership of the company, safety will once again be an area of primary focus this year with a 5% reduction in any bonus payout for leadership should we have an employee, contractor or a sub-contractor fatality.

On a long-term basis, management incentives are tied to Duke Energy's total shareholder return versus the S&P 500. However the committee retains the right to reduce any actual award should the company not perform at the 60th percentile level versus the S&P 500 Utility Index.

And as you know my compensation is totally stock based, and Jim Rogers will be compensated in a similar manner once the merger is completed.

I'd like to close by sharing Duke Energy's charter for 2006 with you.

We revise Duke Energy's charter before the beginning of each new year. This gives us the opportunity to put into writing, in simple and straightforward language, what we expect of ourselves and what you should expect from us. This is our scorecard.

This year we are focusing our efforts on becoming an industry leader in what we see as a new era of growth and to accomplish this goal we must:

- First, establish an industry-leading electric power platform through successful execution of the merger with Cinergy. You've heard us talk about the fact that we must "get it right'" and we must "earn the right" to participate in future consolidations in this sector and this is our first step in that process.

- Secondly, we must continue to build a high-performance culture focused on safety, diversity and inclusion.

- Third, we will deliver on our 2006 financial objectives and position the company for growth in 2007 and beyond.

- Next, we will complete the exit from the DENA business and be positioned to pursue other strategic portfolio opportunities such as the question of whether or not splitting the gas and electric portfolios creates the highest shareholder value.

- And last, we will continue to build credibility through our participation and leadership on key policy issues. We will continue to deliver effective and transparent communications with investors and stakeholders, and we will provide excellent customer service across all of our businesses.

Our measures of success are unchanged and recognize the need to balance the interests of investors, customers, communities and employees.

I am very excited about the future for Duke Energy. Our operations are delivering solid results and the opportunities to maximize shareholder value are many. This charter clearly defines our actions and goals for this year and positions us to prosper in the years ahead. We fully recognize that our first priorities are to close on the merger with Cinergy and to complete the exit of the DENA business, but rest assured that we are focused on the future and the opportunities we see to grow your investment in the company.

Now we'll open the lines for your questions for myself or Martha.

Operator

Ashar Khan. SAC Capital.

Ashar Khan - ***SAC Capital - Analyst***

Paul, is it assumed that for the earnings for '06, the transaction closes June 30th? Is that the assumption?

Paul Anderson - ***Duke Energy - Chairman and CEO***

No, the assumption is that it will close on the first-half of the year -- not necessarily June 30th.

Ashar Khan - ***SAC Capital - Analyst***

Okay. Can we assume that the transaction is accretive? In 2006?

Paul Anderson - ***Duke Energy - Chairman and CEO***

In 2006, I don't think we are going to actually say that -- Julie, I don't know what we can and can't say, or what we have or haven't said on that.

Julie Dill - ***Duke Energy - VP-Investor and Shareholder Relations***

We're not going to be speaking to that right now because we're going to deal with that when we finalize the numbers here in February when we do our year-end analysis.

Ashar Khan - ***SAC Capital - Analyst***

Okay. And Paul, can you just tell us regarding the dividends, we shareholders, could we -- what the policy is going to be looked at this year, I mean 2006? Or how should we look at the dividend going forward?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, as we told you, I think back in September, the policy would be to have approximately 70% dividend payout. In my view, that doesn't mean that you just simply calculate the earnings for the year and pay 70%, but you look at long-term trends and your capital requirements and cash needs for the coming year and make a decision. But we will examine that midyear just as we did last year and make a decision; but as I've said on a long-term basis, we would expect to average a 70% payout.

Ashar Khan - ***SAC Capital - Analyst***

Okay. If I can just end up with Martha. Martha, you mentioned all of these projects and you mentioned some CapEx by certain projects, but could you just elaborate how much capital expenditure, growth capital expenditure -- which you I guess focus your presentation towards -- is there in the next, I don't know if you can give it three years, five years or if you could give us some ballpark on aggregated basis that DEGT is targeting in its businesses?

Martha Wyrsch - ***Duke Energy - President & CEO -Duke Energy Gas Transmission***

Yes, you know, in 2005, the plan called for us to spend between $300 and $400 million on expansion capital. Our planning over the next three-year horizon includes a similar amount.

Ashar Khan - ***SAC Capital - Analyst***

Okay. Thank you very much.

Operator

Paul Patterson. Glenrock Associates.

Paul Patterson - ***Glenrock Associates - Analyst***

Just to go over the $1.90 again, that excludes the merger costs and that excludes DENA as well, correct?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, it includes what is left of DENA in continuing operations. Most of DENA will have been disposed of but, up until the time it is disposed of, that's discontinued operations. What was the other --? The merger costs. The costs to achieve will be excluded. For instance, if we have to put in a new IT system, the cost of that system will not be included. It will include, though, the cost sharing with our customers.

Paul Patterson *- Glenrock Associates - Analyst*

Okay. And then, you guys have talked about the spinoff of the gas business as a possibility. Do you want to elaborate a little bit more on that?

Paul Anderson *- Duke Energy - Chairman and CEO*

Well, what we said is that once we get the merger done, we are going to take a look at the value proposition. Does it make sense to have gas and electric and electric business in the same portfolio just from a pure shareholder value standpoint? It is obviously premature, because the Board hasn't really focused in on it, other than to acknowledge it as an opportunity we are going to look at next year. But as I've mentioned in the past a lot of the reasons for having gas and electric together when we put PanEnergy together with Duke Power back in the '90s have been thwarted, and that the affiliate rules don't allow us to get a lot of the benefits that you would expect having those two together in that we can't share market information, we can't jointly market the same customers. We can't even share various employees in many cases, because of all of the affiliate rules.

So barring some significant synergies of having the two together or some significant value of having the two together, we have to look at what kind of benefits would there be of having them apart which, probably, the biggest or most obvious benefit that would come to mind is that the market values electric businesses differently than they value gas businesses. And a very simple arithmetic exercise would tell you there might be some untapped value there.

Paul Patterson *- Glenrock Associates - Analyst*

You think after the merger, sometime shortly after the merger you guys would have a better idea of what you might do? Is that right?

Paul Anderson *- Duke Energy - Chairman and CEO*

We will focus in on it then because we’ve got too many moving parts to focus in on it at this point in time. Once we get the shareholder vote behind us and the merger behind us, that will be the strategic question of 2006.

Paul Patterson *- Glenrock Associates - Analyst*

Fair enough. Just finally with the merger, it would seem to me with all these settlements and everything else, that you guys might be able to give us a little clearer idea as to when you think it might be. Can you give us a little bit more of a flavor than just the first half of 2006?

Paul Anderson *- Duke Energy - Chairman and CEO*

We've said that our operational target is to be ready to go as one company April 1st. So we've set up our entire integration effort to be ready to go on that date. If we have all the approvals and there's nothing to prevent us, that would be our target date. On the other hand, if we don't have the approvals, we can't promise that because there's still some things hanging out there. So I hope we make that target date, but it's only a target at this point.

Paul Patterson *- Glenrock Associates - Analyst*

Right. But we're not likely to see anything earlier than that. Is that right? It wouldn't happen earlier than that?

Paul Anderson *- Duke Energy - Chairman and CEO*

Well, I hesitate to make any definitive statement because you never know what's going to happen, but we haven't even had our shareholder meeting yet, so we still have a few hoops to go through. We're not talking about anything significantly earlier than that if it were to occur.

Paul Patterson - ***Glenrock Associates - Analyst***

Thanks a lot.

Operator

Greg Gordon. Citigroup.

Greg Gordon - ***Citigroup - Analyst***

When we look at the earnings progression from your management incentive target for '05, versus your management incentive target for '06, can you give us in broad terms what the big chunks are in terms of upside on EBIT basis at each business unit that gets us from the 2005 target to the 2006 targets?

Paul Anderson - ***Duke Energy - Chairman and CEO***

We will do that after the first of the year. But I think it's not nearly as meaningful to talk about target to target as it will be to talk about actual results for 2005 versus the targets for 2006. And we will, after the first of the year, we'll schedule a meeting where we'll go through that in some detail by business unit, but at this point in time, we're not ready to do that.

Greg Gordon - ***Citigroup - Analyst***

Would it be fair to say that some of the upside is associated, obviously, with getting a half year of synergies into the results? And, also, you had talked in prior conversations with investors about having a relatively bearish view on oil price. Oil prices obviously have been very, very high. Is part of the target associated with the fact that you simply are getting a peak oil price for a lot longer than you otherwise would have expected?

Paul Anderson - ***Duke Energy - Chairman and CEO***

You're trying to get me to do what I just said we weren't prepared to do yet, but we will address all of that in February. I think you can see oil prices this year versus -- or expectations for next year versus this year as well as we can. But I really don't want to go down that road until we are ready to discuss in some detail.

Greg Gordon - ***Citigroup - Analyst***

Sorry, Paul. You can't hurt me for trying.

Paul Anderson - ***Duke Energy - Chairman and CEO***

I give you credit for it.

Operator

Sam Brothwell. Wachovia Securities.

Sam Brothwell - ***Wachovia Securities - Analyst***

Martha, you alluded to possibly picking up some volume coming out of the Rockies. Can you comment a little bit more on that in the context of the two major pipeline proposals that are being proposed to collect that gas and bring it East?

Martha Wyrsch - ***Duke Energy - President & CEO -Duke Energy Gas Transmission***

Yes, Sam, I'd be happy to. We do have an open season where we are exploring with our customers their interest in freeing these Rockies supplies to the marketplace because there is significant interest on the part of our customers to have a diversity of supply, to ensure that they have access to all the different on-shore basins as well as offshore here in the U.S.

And when we look at our system and in particular look at the projects that Kinder Morgan and Sempra have proposed to bring gas from the Rockies across, our Lebanon, Ohio location is a very likely spot for gas to be delivered and then taken from there on our Texas Eastern system into our markets. And so that project in particular is one that we're focused on, as we think through the opportunities with our customers.

Operator

Karen Taylor. BMO Nesbitt Burns.

Karen Taylor - ***BMO Nesbitt Burns - Analyst***

Thank you. Can I just come back to the earnings target at $1.90? At the $1.90, you'll earn or management will earn the full incentive compensation? Is that right? And then at $1.75, there will be no incentive compensation?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Yes, at $1.90, they will earn the full target incentive. They can get a little bit above target. We have a sliding scale above that that if you exceed that, but basically, that's the answer. At $1.90, they would get their full target bonus and at $1.74, they would get nothing in terms of the financial component of their bonus. Now, they would have -- 20% of their bonus is based on personal objectives that doesn't have anything to do with the EPS of the Company.

Karen Taylor - ***BMO Nesbitt Burns - Analyst***

Can you just explain the rationale for excluding what I would take to be one-time items or other items that I guess, maybe, aren't strictly operating that you might capitalize from these targets? And what you mean exactly when you talk about the customers' share being deducted from that number?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, as part of putting the two companies together, we would expect some cost savings, some synergies from putting the entities together. Some of those savings we've already agreed with each of the states, that some of those savings go back to the states. And in fact, they are concentrated in the first 12 months after the merger because all but one of the states wanted to have five years of savings rolled up into one year.

So we will take the savings, consider them ongoing, and we will consider the sharing with the customers to be ongoing. But what we're excluding is what we're calling the cost to achieve, which are the costs incurred to recognize the savings such as severance and development of systems and so forth that we consider to be one-time items as opposed to ongoing items.

Karen Taylor - ***BMO Nesbitt Burns - Analyst***

Now, I can see the severance, but the development of system costs. Given that that platform will be used for future growth, isn't there then an incentive for everything to get labeled these costs as these targets are met? How truly one-time are system developments costs to forward a strategic plan that is M&A-based going forward?

Paul Anderson *- Duke Energy - Chairman and CEO*

Sure. We have identified the cost to achieve and budgeted for them. So as far as within the Company, we have a very good control system. I think from our standpoint, we feel the best thing -- and we could include those costs and have a lower target if it made everybody feel better -- but we feel it is cleaner to keep track of what we think is the ongoing position of the Company and track the costs to achieve separately, which we do have budgeted for, so I don't think there's going to be an issue of people misallocating costs from that standpoint.

Karen Taylor *- BMO Nesbitt Burns - Analyst*

So in February when you discuss full-blown EBIT guidance for each business, are we going to go back and reconcile that chart that was put up at the time of the merger and, again, in September at the analyst meeting, where we looked at the cost to achieve and the savings and we're going to reconcile that with what you report or plan to report?

Paul Anderson *- Duke Energy - Chairman and CEO*

I have a feeling we will be doing that ad nauseam for the next year or two.

Operator

Nathan Judge with Atlantic Equities.

Nathan Judge *- Atlantic Equities - Analyst*

Could you talk about share buyback and the potential? If I recall, you have stalled one of your share buyback plans. And I guess after the share vote in February, do you plan to reinstate that?

Paul Anderson *- Duke Energy - Chairman and CEO*

You're correct. We put it on hold because we had to wait until we had the shareholder vote [on the merger]. Once we get the shareholder vote, then I think we will be in a position that we can do it. We can reinstitute a share buyback and we will take it to the Board and make a specific decision at that point in time. But we will be in a position that we can reinstitute the share buyback after the shareholder vote.

Nathan Judge *- Atlantic Equities - Analyst*

Does the $1.90 include any assumption with share buybacks?

Paul Anderson *- Duke Energy - Chairman and CEO*

I really don't want to get into all of the assumptions as to what's in the $1.90. We will flush that out more after the first of the year as I said and discuss the component of the targets and the growth expectations for the various business units.

Nathan Judge *- Atlantic Equities - Analyst*

Thank you. Just one follow-up question. Given your agreement that you have in place with the states for synergy savings, what percentage, just more or less, do you have of your total regulated savings?

Paul Anderson *- Duke Energy - Chairman and CEO*

Well, we're sharing approximately 42% of the regulated savings.

Nathan Judge - ***Atlantic Equities - Analyst***

How much did you set out originally?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, we had set out a target that it would be less than 50%. We didn't have a specific target other than we said worst-case would be 50.

Operator

Paul Fremont. Jefferies.

Paul Fremont - ***Jefferies - Analyst***

Congratulations on an excellent year. My question relates to, really, the 2007 targets that you guys have elaborated for as a combined company is about $2. If I take the $1.90 incentive target, and add basically I guess based on our assumptions of retained merger synergies, there should be roughly $0.07 or so of growth just from the merger synergies that you guys would accomplish sort of in the first full year. So I guess my question is, should we look at the current targets as incorporating only a small amount of organic growth, based on our calculations in the range of $0.03 on top of the merger synergies, which I guess would strike me as somewhat conservative in terms of your 2007 targets.

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, like I said, I don't want to get into detailing how we got to the $1.90 or what it represents at this point in time. We thought you'd be really happy with us just laying the $1.90 out there as a midpoint between that and the $2 that we laid out for 2007. We thought that was pretty generous. But we are not in a position to define it anymore, in any more detail until after the first of the year.

Paul Fremont - ***Jefferies - Analyst***

Okay, but it's fair to say that the 2007 number would appear to represent only a small increment over and above merger savings from the '06 targets.

Paul Anderson - ***Duke Energy - Chairman and CEO***

I don't know what you're assuming for merger savings. Like I said, I don't want to walk through the pieces of what's the difference between this year and that year. All we are really doing right now is announcing that the target has been set at $1.90 and we will discuss the pieces of the first of the year.

Paul Fremont - ***Jefferies - Analyst***

And I guess my last question would be with respect to either the $1.90 or the $2, do either of those numbers incorporate any significant share repurchase over and above what's been done in 2005?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, like I said,that is a level of detail we are just not going to get into today.

Paul Fremont - ***Jefferies - Analyst***

Apologies and congratulations on a good number.

Operator

Michael Goldenberg with Luminus Management.

Michael Goldenberg - ***Luminus Management - Analyst***

Good afternoon, guys. I know you're limited us to what you can say about the $1.90 targets, but just to give us some idea of color, is that a number that you think will be easily achievable or should that be construed as something at the upper end of the goal?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, we set it up knowing that it's not easily achievable, but that it is achievable, and I'm looking at Martha and she is sort of nodding about when I said "not easily", she nodded. So I'm sure that everybody feels that they are being adequately challenged by that target, but I firmly believe that it's an achievable target.

Michael Goldenberg - ***Luminus Management - Analyst***

And I guess to once again take this number and extrapolate into 2007, if you are able to achieve this $1.90 figure, I'm assuming obviously that the merger should be more accretive in 2007 than 2006 since you'll have a full year to integrate the two companies. If you are capable of achieving the $1.90 target in 2006, does the 2007 target of $2 all of a sudden become more easily achievable than you thought before?

Fred Fowler - ***Duke Energy - Presidentt and COO***

Let me help you here. I think a lot of that depends on how you achieve the 2006 number. This is Fred talking. For instance, what gets you there is extremely high oil prices. Then I think you kind of have to reevaluate at that point in time what does the next year's oil price scenario look like? So I think it's hard to answer the question sitting here today.

Michael Goldenberg - ***Luminus Management - Analyst***

Fair enough, but I'm assuming the target of $1.90 is not set in hope of really high oil prices. The target is set based on good Company performance, not lucky commodity prices.

Paul Anderson - ***Duke Energy - Chairman and CEO***

It is based on a whole bunch of assumptions about the environment we're going to be operating in, what's going to be the real estate market, what's going to be oil prices. There's a lot of things in there and as I said and now Fred has helped me by saying the same thing, we're just not in a position that we are going to lay that out with regards to the $1.90 today.

Michael Goldenberg - ***Luminus Management - Analyst***

Okay; got you. Thank you very much, guys.

Operator

Maureen Howe. RBC Capital Markets.

Maureen Howe - ***RBC Capital Markets - Analyst***

I got confused on the diluted versus basic earnings and so I apologize for this, but the $1.90, is that a diluted number?

Paul Anderson - ***Duke Energy - Chairman and CEO***

That's fully diluted.

Maureen Howe - ***RBC Capital Markets - Analyst***

Fully diluted. Thanks very much. And then another question, I was a little bit off I guess on the line of questioning. But are you at all concerned about sort of what one might call it a trend in Latin America, South America towards more Socialist governments? And your investments down there aren't huge, but you do have investments in Argentina, Peru, and Bolivia. Is that a situation that concerns you and does it impact what you might do going forward?

Paul Anderson - ***Duke Energy - Chairman and CEO***

It definitely concerns me and I think Chavez is a concern to start with. We don't have anything in Venezuela but he certainly is quite an influence in the area and the recent elections in Bolivia don't give us anymore hope for fiscal conservatism. What it really does is it makes us much more cautious about increasing our investment down there. I think that we have good, solid operations and we have contracts in place and what have you. But certainly before we would substantially increase our investments down there, we would certainly take into account on a country by country basis, where we thought the politics are going.

Maureen Howe - ***RBC Capital Markets - Analyst***

And you think that -- you mentioned that Chavez does seem to have influence. Do you think that is a trend that seems to be rolling out? Obviously, your reference to Bolivia and certainly there seems to be pretty strong ties between the presidents of Argentina and Venezuela. So do you think that is sort of a trend that starting to spread through the region?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, there's kind of two trends. I was in Brazil a couple of weeks ago we spent a fair amount of time with folks down there including meeting with Lula and some others. And if anything, there is in Brazil, there is a trend for a conservative backlash against Lula that would be a movement in the other direction whereas the countries probably in Central America and around, bordering on Venezuela, it's tending to be more liberal. So it's very much a country by country situation.

Maureen Howe - ***RBC Capital Markets - Analyst***

Okay. Thanks for that.

Operator

Paul Ridzon. KeyBanc Capital Markets.

Paul Ridzon - ***KeyBanc Capital Markets - Analyst***

Good afternoon. You have indicated that 2006 and 2007 are going to include partial year impacts of customer sharing. What is the benefit you'll realize in 2008 when that rolls off?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, what we will end up doing is that the customer sharing will be basically done every place except Kentucky. But the other four states the sharing will be over, so I guess you can say it's a benefit in 2008.

Paul Ridzon - ***KeyBanc Capital Markets - Analyst***

What's the total sharing that you are experiencing for that one year period, however it falls between 2006 and 2007?

Paul Anderson - ***Duke Energy - Chairman and CEO***

What numbers have we given out, Julie, because we got to be about ballpark?

Julie Dill - ***Duke Energy - VP-Investor and Shareholder Relations***

Well, just in Kentucky, it was $7.5 million over the five years and that's the only one that will go forward.

The total sharing is about $239, $240 million in total, in terms of the proposals we have. Again, we don't have all of the approvals on that, but those are the proposals that we have out if you aggregated all of that.

Paul Ridzon - ***KeyBanc Capital Markets - Analyst***

So assuming a June 30th close, and I know that's arbitrary, but 2008 might see $120 million pickup from those sharing pieces dropping off?

Paul Anderson - ***Duke Energy - Chairman and CEO***

I hate to say yes because I understand where your logic is coming from. We need to get an answer to that that's a little clearer that we're comfortable living with. I don't want to throw a number right now. But the general idea is that if you aggregated all of the sharing, roughly half of it will occur in 2006. The other half will occur in 2007 and then from 2008 on, there will just be that $7 million piece from Kentucky.

Paul Ridzon - ***KeyBanc Capital Markets - Analyst***

Okay thank you.

Operator

Devin Geoghegan with Zimmer Lucas Partners.

Devin Geoghegan -***Zimmer Lucas Partners - Analyst***

Thanks for the time today. I appreciate it. I just want to get your reaction to, I guess this is the 80th time this question has been asked, but if you just take $1.65, if I'm not mistaken, the DENA was like $0.08, so that's discontinued. And then you add the hedges that got changed when you sold DEFS, that loss goes away because they got put back at whatever the market price when the deal was done. That's like another $0.08 relative to 2005, so doesn't that get you $1.81? Current oil as another nickel. It seems like your $1.90 is pretty attainable without all of this other funny business.

Paul Anderson - ***Duke Energy - Chairman and CEO***

Well, we didn't say there's a lot of funny business.

Devin Geoghegan *-Zimmer Lucas Partners - Analyst*

No, I know, but it's real -- it seems -- am I missing something or is it pretty much that simple?

Paul Anderson *- Duke Energy - Chairman and CEO*

Well, I don't want to go through the buildup. I think it's as simple as saying that it's a -- like I said, it's a challenging target, but an achievable one.

Operator

That does conclude our question-and-answer session for today. I'll turn it back over to the speakers for any final closing or additional remarks.

Julie Dill *- Duke Energy - VP-Investor and Shareholder Relations*

Thank you. We want to thank everyone again for joining us today on the call and especially since it was so late. We want to wish everyone a very safe and happy holiday season and of course, my team and I are available to take any questions as follow-ups that you didn't get answered. So thanks very much.

Operator

And that does conclude our conference call. We do thank you for your participation.