



Second Quarter 2005 Earnings Review

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Paul Anderson

Chairman and Chief Executive Officer

Fred Fowler

President and Chief Operating Officer

David Hauser

Group Vice President and Chief Financial Officer

Safe Harbor Statement

Under the Private Securities Litigation Act of 1995

This document contains forward looking information which is subject to risks and uncertainties that could cause actual results to be different than those contemplated, including, but not limited to, changes in state, federal or international regulatory environments; commercial, industrial and residential growth in the Company's service territory; the weather and other natural phenomena; the timing and extent of changes in commodity prices, interest rates, and foreign currency exchange rates; general economic conditions; changes in environmental and other laws and regulations to which Duke Energy and its subsidiaries are subject or other external factors over which Duke Energy has no control; the results of financing efforts; the effect of accounting pronouncements; growth in opportunities for Duke Energy's business units, and other risks described in the Company's second quarter earnings release provided on Form 8-K, the 2004 Form 10-K filed with the Securities and Exchange Commission, along with other Securities and Exchange Commission filings.

Regulation G

This document includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is included in the printed version of these slides which can be downloaded from our investor relations website at: www.duke-energy.com/investors/financial/gaap/

Highlights for Second Quarter 2005

	2Q05	2Q04
Reported Basic EPS	\$ 0.33	\$ 0.46
Special Items	(0.02)	(0.04)
EPS excluding special items	<u>\$ 0.31</u>	<u>\$ 0.42</u>

- Company is on plan six months into the year
- Franchised Electric had lower results due to mild weather and higher planned O&M costs
- Natural Gas Transmission delivered improved results, excluding prior year \$9 million pre-tax gain on asset sale and prior year pre-tax benefit of \$17 million for favorable tax resolution
- Field Services delivered another strong quarter benefiting from strong NGL prices
- DENA reported lower results primarily due to lower generation sales attributable to mild weather in the West, losses in gas transportation business and prior year mark-to-market gains; partially offset by lower operating and G&A expenses
- International Energy benefited from its National Methanol and Brazilian operations
- Crescent Resources reported lower results primarily due to a prior year pre-tax gain of \$45 million related to a large commercial transaction near Washington DC
- Income tax expense was higher due to prior year \$52 million adjustment to income tax reserves
- Interest expense was \$39 million lower than last year

Franchised Electric

■ Second Quarter 2005

- Lower results due to mild weather, higher operating and maintenance expenses related to planned plant outages, right-of-way maintenance and storm costs
- Partially offset by higher bulk power sales, net of profit sharing

■ Customer Growth up about 2%

- Residential customers increased 2%; sales were down 9% due to mild weather
- Commercial customers increased 2%; sales were down 4% due to mild weather
- Sales to non-textile industrials increased 2%; sales to textile customers were down 9% primarily due to plant closings

■ Segment EBIT Guidance

- Annual segment EBIT growth rate for 2005 – 2007 period expected in 0 – 2% range
- Expect 2005 segment EBIT to be at, or slightly below, 2004's comparable results

Segment EBIT from continuing operations
(\$ millions)

Quarter	2Q05	2Q04
Reported Segment EBIT	\$ 274	\$ 338
Special items	--	(3)
Ongoing Segment EBIT	<u>\$ 274</u>	<u>\$ 335</u>

Natural Gas Transmission

■ Second Quarter 2005

- Benefited from favorable Canadian currency translation of approximately \$9 million and approximately \$4 million from U.S. expansion projects completed last year
- Prior year benefited from favorable resolution of certain ad valorem tax issues of \$17 million

■ Ongoing Segment EBIT Guidance

- Ongoing annual EBIT growth rate for 2005–2007 period expected in 3 – 5% range
- 2005 ongoing segment EBIT expected to be at the high end of this range due to the recent addition of Field Services' Canadian assets and acquisition of the Empress facilities

Segment EBIT from continuing operations
(\$ millions)

Quarter	2Q05	2Q04
Reported Segment EBIT	\$ 302	\$ 311
Special items	--	(9)
Ongoing Segment EBIT	<u>\$ 302</u>	<u>\$ 302</u>

Field Services

■ Second Quarter 2005

- Benefited from higher commodity prices
- Partially offset by higher operating costs and the absence of equity earnings from TEPPCO, which was sold in 1Q05
- Special item: \$22 million adjustment which partially offset original charge taken in 1Q05 related to the de-designation of 2005 hedges due to the change in ownership with ConocoPhillips

Segment EBIT from continuing operations
(\$ millions)

Quarter	2Q05	2Q04
Reported Segment EBIT	\$ 166	\$ 95
Special items	(22)	(1)
Ongoing Segment EBIT	<u>\$ 144</u>	<u>\$ 94</u>

■ Equity Earnings Guidance for Field Services

- Ongoing equity earnings for second half of 2005 expected to be approximately \$200 million, net of interest expense. This is before adjustment of negative \$73 million related to the remaining recognition of first quarter charge for de-designated hedges.

■ Earnings Sensitivity for Remaining Six Months of 2005

- 1¢ per gallon move in NGLs equates to a \$5 million move in equity earnings, partially offset by approximately \$4 million in Other EBIT

Duke Energy North America

■ Second Quarter 2005

- Lower results due to reduced generation sales attributable to mild weather in the West and losses due to weakness in gas transportation business
- Partially offset by reduced operating and G&A expenses

- Prior year's second quarter included a \$24 million mark-to-market gain, or \$22 million before minority interest, related to disqualified hedges

■ Ongoing Segment EBIT Guidance

- 2005 ongoing segment EBIT loss expected to be \$150 million

Segment EBIT from continuing operations
(\$ millions)

Quarter	2Q05	2Q04
Reported Segment EBIT	\$ (56)	\$ (38)
Special Items	--	10
Ongoing Segment EBIT	\$ (56)	\$ (28)

International Energy

■ Second Quarter 2005

- Benefited from solid operations in Brazil and favorable valuation of the Brazilian currency
- Benefited from higher prices at National Methanol

Segment EBIT from continuing operations
(\$ millions)

Quarter	2Q05	2Q04
Reported Segment EBIT	\$ 86	\$ 68

■ Ongoing Segment EBIT Guidance

- Ongoing annual segment EBIT growth rate for 2005 – 2007 period expected in 2 – 3% range
- 2005 is expected to be an exceptional year as a result of strong Latin American operations, favorable foreign exchange and higher prices at our National Methanol business

Crescent Resources

■ Second Quarter 2005

- Results were lower primarily due to a prior year transaction which contributed \$45 million in EBIT in the second quarter of 2004

- Current book value of real estate portfolio is \$1.3 billion compared with \$1.1 billion at year end 2004

■ Segment EBIT Guidance

- Segment EBIT from continuing operations and discontinued operations for 2005 is expected to be at, or above, the ongoing results for 2004, which were approximately \$250 million

Segment EBIT from continuing operations
(\$ millions)

Quarter	2Q05	2Q04
Reported Segment EBIT	\$ 39	\$ 87

Other EBIT

■ Second Quarter 2005

- Special Item: \$7 million gain related to the change in mark-to-market valuation of the 2005 unsettled hedges related to Field Services
- \$22 million loss on the mark-to-market valuation of the 2006 hedges related to Field Services
- Charge taken for increased liabilities associated with mutual insurance

- Ongoing Other EBIT is expected to remain in the \$200 million loss range, excluding any changes due to mark-to-market fluctuations on the de-designated hedges

Other EBIT
(\$ millions)

Quarter	2Q05	2Q04
Reported EBIT	\$ (88)	\$ (26)
Special Items	(7)	(14)
Ongoing EBIT	<u>\$ (95)</u>	<u>\$ (40)</u>

Other Items

- Total debt at June 30th was \$18.4 billion; \$464 million less than year-end 2004
 - Approximately \$2.25 billion of debt will be deconsolidated for Field Services
- Interest expense
 - Second quarter was \$39 million lower than last year due to debt reductions
 - Interest expense for 2005 is expected to be \$1.1 billion
- Effective tax rate was approximately 33%
- Cash and cash equivalents and short-term investments totaled approximately \$2.05 billion at the end of second quarter 2005
- Accelerated buyback of 30 million shares; shares retired on March 23, 2005
 - Current repurchases stand at 20.4 million shares as of July 31st
- Additional repurchases under separate agreement totaled 2.6 million shares as of May 6th; this program has been suspended

Legal Structure Related to Merger

Issue:

“Holdco assumes, or becomes co-obligor on, the senior unsecured long-term debt of Duke Power LLC.”

Resolution:

It is Duke Energy’s intent to remain obligated at the Duke Power level for the existing senior unsecured debt of Duke Power and for the servicing of this debt to occur at Duke Power.

Operations Review

- Franchised Electric
 - Received a favorable ruling from 4th Circuit Court of Appeals in favor of Duke Power related to New Source Review enforcement litigation; government requested a review of the ruling
 - Recent FERC filing to amend Open Access Transmission tariff
 - Reached a new all-time high for demand last week for 18,687 MW
 - Current inventory for coal is 28 days; 75% contracted for 2006
- Natural Gas Transmission
 - Signed precedent transportation agreements with Anadarko and Repsol related to proposed LNG facilities in the Canadian Maritimes; 1.5 Bcf/day of total capacity
 - Filed application with FERC to build 16-mile pipeline to connect Excelerate Energy's proposed LNG facility; 800,000 MMBtu/day of capacity
 - New firm transportation contracts on Gulfstream began flowing 400,000 MMBtu/day bringing their total capacity contracted to two-thirds full
 - Evaluating the possibility to form a Canadian income trust

Operations Review

- Field Services
 - Closed on ownership change to a 50/50 joint venture with ConocoPhillips on July 5th
 - Evaluating the opportunity to launch another MLP later this year
- DENA
 - Gas marketing business has been slower to build than anticipated
 - Work continues on developing a sustainable business model
- International Energy
 - Returns are improving
 - Brazil: Success in contracting additional capacity for 2006; 84% contracted

Summary

- On plan for \$1.60 per basic share
- Made significant strides in optimizing our portfolio
 - Field Services 50/50 joint venture
 - Merger announcement with Cinergy
- Merger update
 - Filed for approvals with all five states
 - Submitted information required by Hart-Scott-Rodino Act
 - Filed with FERC
- PUHCA repeal expected with signing of energy bill

Duke Energy 2005 Charter

We are Duke Energy, a leading energy company located in the Americas with an affiliate real estate operation

Our purpose is to create superior value for our customers, employees, communities and investors through the production, conversion, delivery and sale of energy and energy services

To provide a stable platform for future growth, we must:

- Enhance a high-performance culture by focusing on safety, inclusion and diversity, employee development, business structure and process simplification
- Position DENA to be a successful merchant operator with a sustainable business model
- Deliver on our financial plan and provide superior total shareholder return
- Establish industry-leading positions in core businesses and identify new energy-related growth strategies
- Build stakeholder relationships and future shareholder value through effective leadership on key policy issues related to energy, regulation and the environment

