



# Exiting the DENA Business

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## 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 2005 Form 10-Q, 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/](http://www.duke-energy.com/investors/financial/gaap/)

# Exiting the DENA Business

## Excluding Midwest Assets



- Significant progress made in last two years
  - Reduced trading book
  - Reduced generation portfolio
  - Reduced mark-to-market exposure
- Rationale
  - Encumbered by size and complexity of long-dated legacy positions
  - No clear path to breakeven EBIT by end of 2006 without increasing risk profile
  - More effective to adopt Cinergy's commercial platform
- Intend to fully exit within 12 months

# Financial Highlights and Benefits

	Total Day 1 Impact
Pre-tax charge	(\$1.3 billion)
Net Income	(\$0.8 billion)
EPS Impact	(\$0.88 per basic share)

- Benefits include:
  - Accelerated costs savings of approximately \$160 million at DENA
  - Improvements in
    - Ongoing earnings from continuing operations
    - Duke Capital's credit risk profile
    - Long-term liquidity as collateral is eliminated
  - Net cash positive
- Revising EPS incentive target from \$1.60 to \$1.65 per basic share

# Financial Impacts of Exit Decision

(\$ in billions)	Day 1	Next 12 Months
Assets	\$ (0.4)	\$ 0.0
Contract Portfolio		
Power Derivatives	(2.3)	0.0
Gas Derivatives	1.4	0.3
Pre-tax Charge	(1.3)	0.3
Taxes	0.5	(0.1)
<b>NET INCOME</b>	<b>\$ (0.8)</b>	<b>\$0.2</b>
Transaction and Termination Costs and Non-Derivative Contracts		TBD
Pre-tax Sensitivity to \$1 Move in Spark Spreads		\$60 million

Note: We will record operating results and mark-to market movements in the contract portfolio until the time of final disposition.

Note: Impact to equity is \$1.6 billion as hedges are already included in equity.

# Other Considerations

- Included in Discontinued Operations
  - Accrual book moves to mark-to-market
  - Management/G&A to manage the book and plants
  - Changes in the value received for physical assets
- Excluded from Discontinued Operations are the Midwest plants, the McMahon plant in Canada, and certain contracts and corporate allocations intended to be reported in Other
- Full recognition of cash tax benefit or liability once all sales occur

# Liquidity and Credit Metrics

- Complete disposition of DENA
  - Significantly strengthens Duke Capital's credit profile
  - Reduces collateral requirements
  - Improves liquidity position
- Projected cash proceeds from assets sales expected to exceed cash needed to terminate DENA's trading book, including tax impacts
  - Net cash positive expected to be more than \$500 million, after tax

# Summary

- Decision to exit DENA business allows “fresh start”
  - Combine DENA’s Midwest assets with CG&E commercial platform
  - Trading and marketing operation will move to shorter terms in trading contracts – terms generally less than one year
- Focused on long-term vision of Duke Energy and enhancing shareholder value

