

we generate what's next sm



Monthly Chat

September 2002

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Chairman, President
and Chief Executive Officer



Continued Weakness in Merchant Energy Business

- Prolonged economic downturn
- More than adequate power capacity available in most regions across the US
- Declining spark spreads and volatility
- Credit weakness of counterparties
- Continued market uncertainty
 - ◆ Regulatory investigations
 - ◆ Litigation
 - ◆ Government intervention

Revised Earnings Guidance

2002: \$1.95 - \$2.05 ongoing earnings per share

3Q one-time pretax charge of \$250 to \$300 million for costs associated with:

- Demobilization expenses for 3 construction projects
- Renegotiation of turbine contract with GE
- Write-off of selected site development expenses

2003: Outlook is flat from 2002, assuming a modest improvement in market conditions

Diversified Business Model Supports Long-Term Strategy

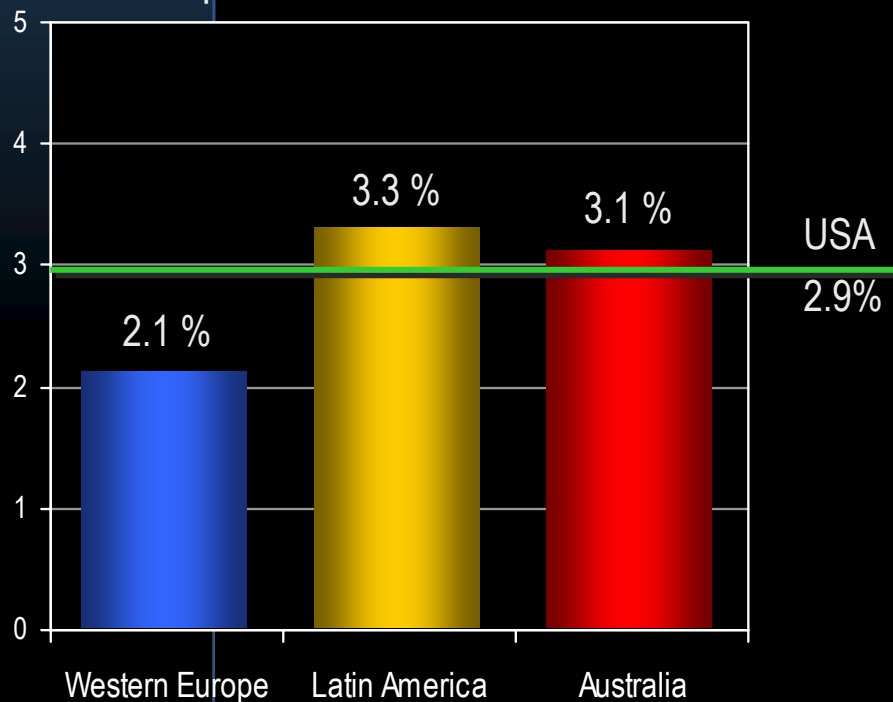


- Strategic focus remains the same:
Deliver energy and energy-related products and services to customers around the world
- Duke Energy's business model is balanced to weather expected market cycles
 - ◆ Strong and diverse energy asset base
 - ◆ Blend of regulated and unregulated businesses
- Long-term demand growth for power and natural gas will spur the need for new and more efficient energy infrastructure

Energy Demand Growth Forecasts

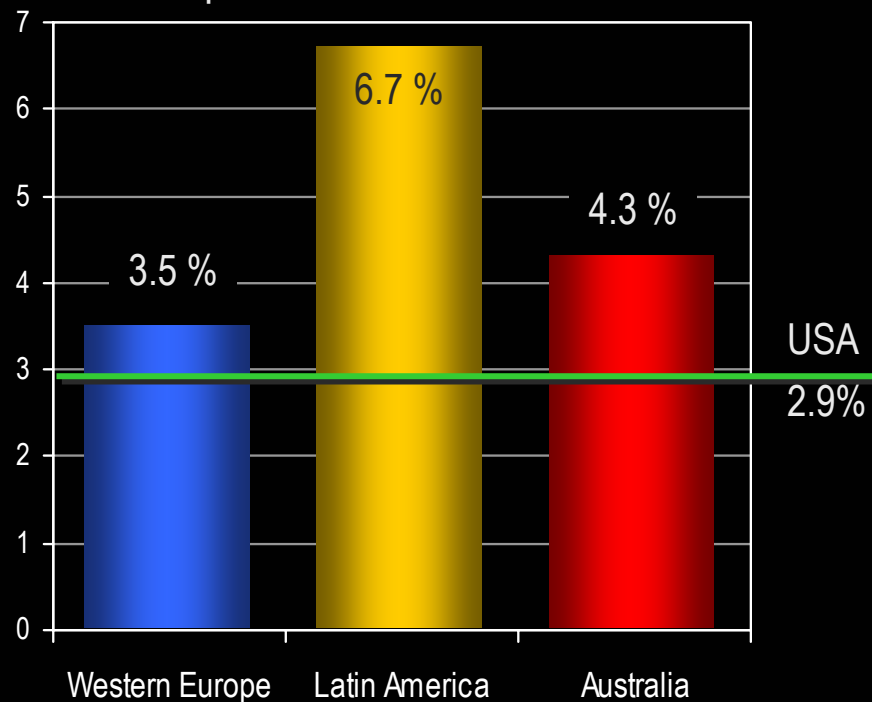
Electricity

Consumption Growth Forecast 2002-2005



Natural Gas

Consumption Growth Forecast 2002-2005



Managing through the Cycle, Focusing on Long-Term Performance



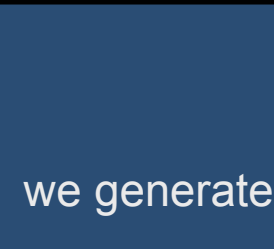
- Deferring construction on three merchant power plants
- Renegotiating turbine contract with GE
- Aggressively reducing capital expenditures to maintain financial flexibility
 - ◆ 2002: \$6.2 billion, excluding Westcoast
 - ◆ 2003: \$3.5 billion, funded by internally generated cash and minimal asset sales
- Expecting to maintain current annual dividend of \$1.10 per share
- Sweating the assets for operational excellence and improved returns

Preparing for the Future

- Increase direct wholesale business market share
 - ◆ Aggressively pursue origination and value-added transactions with customers
 - ◆ Optimize assets through risk management and physical trading
- Restructure to reduce costs – adjust scope and scale of operations to market conditions
- Restore confidence in the industry through transparency and better disclosure

Why DUK?

- Long-term viability of merchant energy business
- Strong competitive position
- Resilient business model
- Balanced energy asset portfolio
- Solid dividend return
- Market value based on regulated operations –
Duke Power and Gas Transmission
- “Free” option on merchant energy business



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