

# Proven History. Strong Future.



**Fred Fowler**  
President and Chief Operating Officer

Lehman Brothers  
Energy/Power Conference

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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, including, but not limited to, changes in the utility regulatory environment, the impact of competition from other energy suppliers, industrial, commercial and residential growth in the Company's service territory, the results of financing efforts, the effect of the Company's accounting policies, growth in opportunities for the Company's subsidiaries and diversified operations, and other risks described in the Company's Securities and Exchange Commission filings.

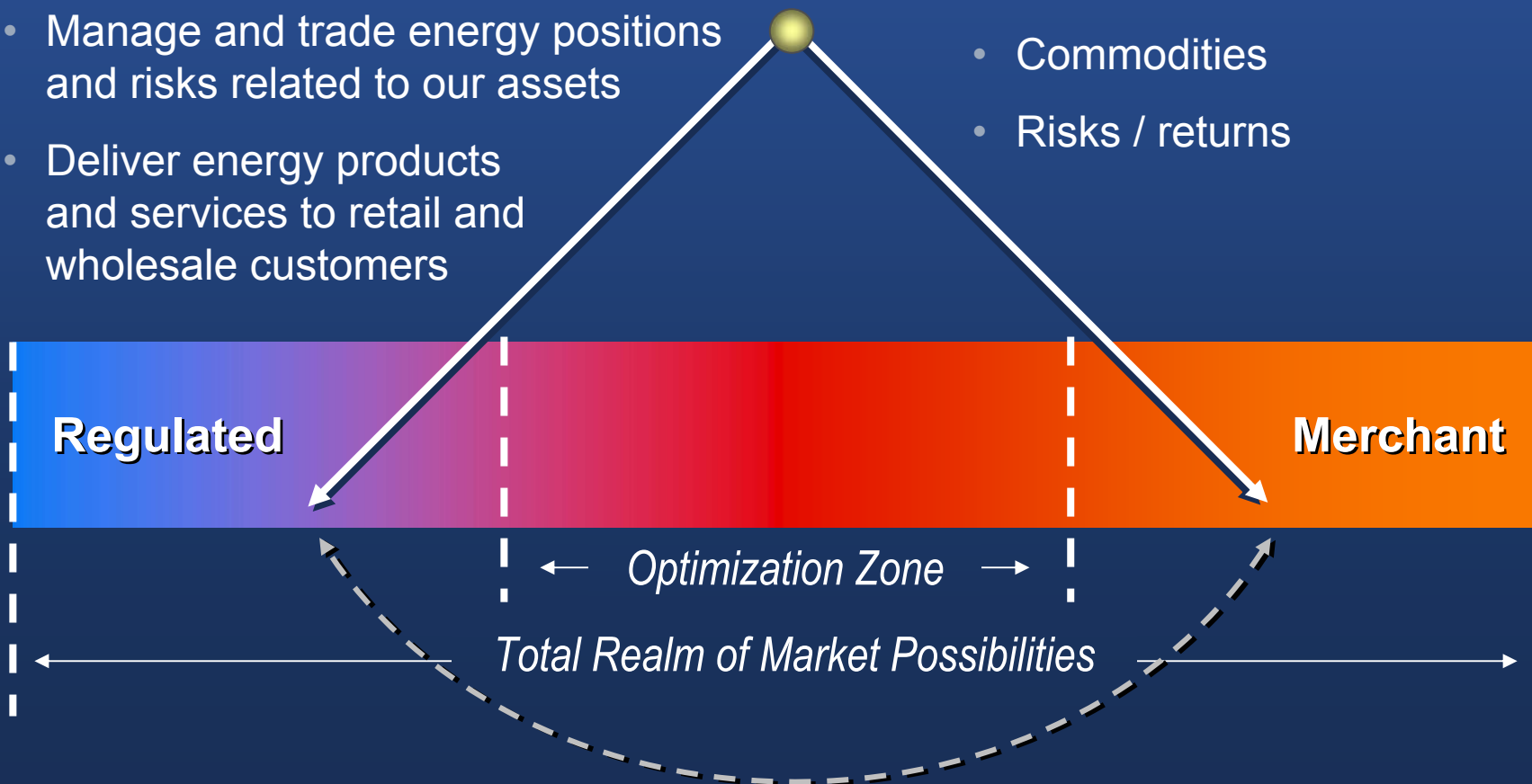
# Balanced Strategy and Business Model

## Duke Energy's Strategy

- Actively manage a portfolio of strategic energy assets
- Manage and trade energy positions and risks related to our assets
- Deliver energy products and services to retail and wholesale customers

## Balanced Business Model

- Regulated / merchant
- Locations
- Commodities
- Risks / returns

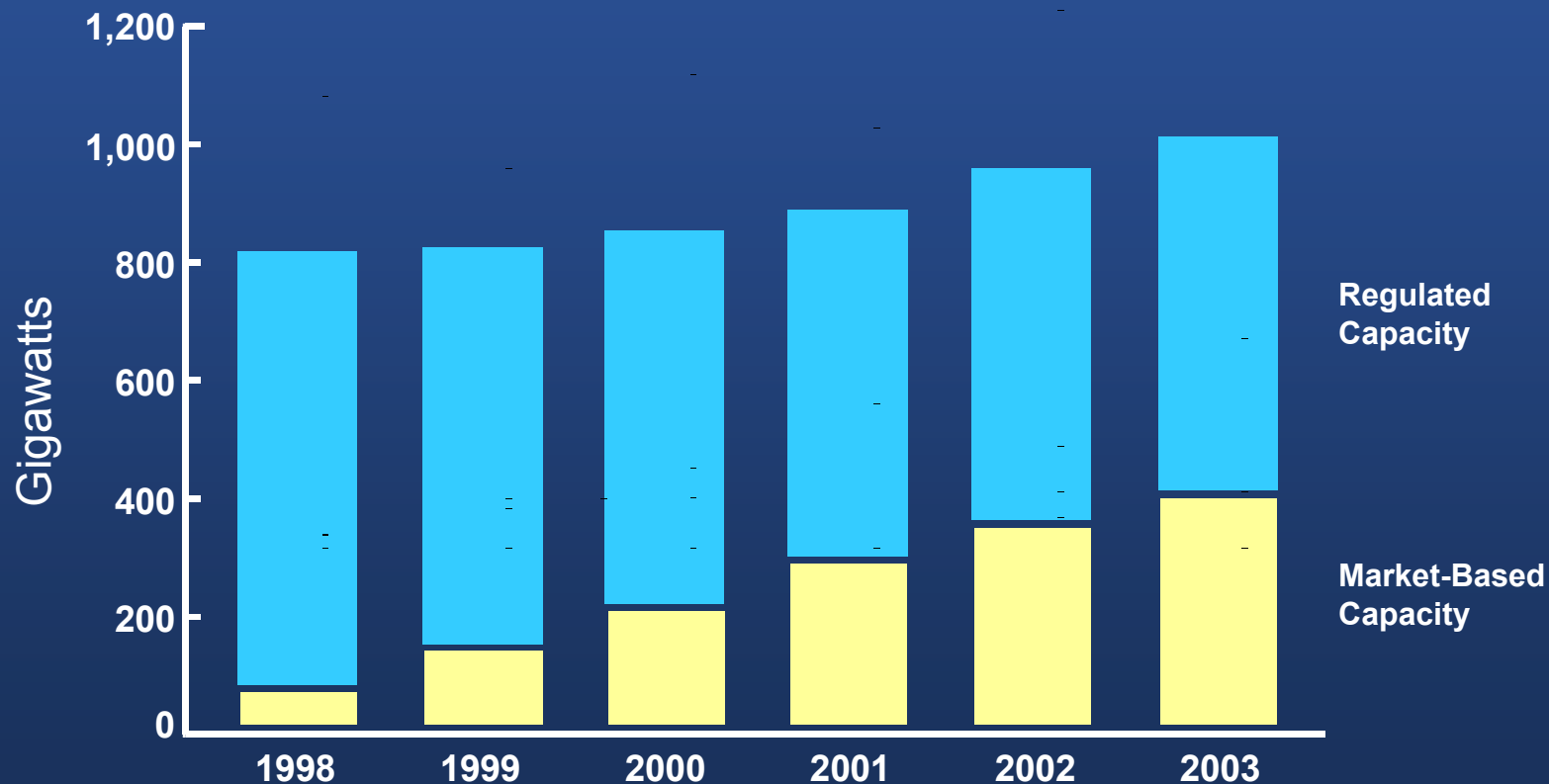


# 2003 Strategic Directives

- 1** Focus on positive net cash generation
- 2** Invest in our strongest business segments
- 3** Size businesses to market realities
- 4** Address merchant energy issues
- 5** Strengthen relationships with customers
- 6** Reduce regulatory & legal risk

# U.S. Competitive Generating Capacity

Greater than a third of current U.S. generating capacity is market-based.



# 2003 Strategic Directives

1

## Focus on positive net cash generation

- 2003 EPS expected to be at low end of range of \$1.35 to \$1.60 per share
- Significantly reduced capital and O&M spending
- Realizing approximately \$1.6 billion in gross proceeds from non-core, non-strategic asset sales
- Expect to reduce debt and trust preferred securities by at least \$1.8 billion in 2003 and by \$5.5 billion through 2005

# 2003 Net Debt Reduction

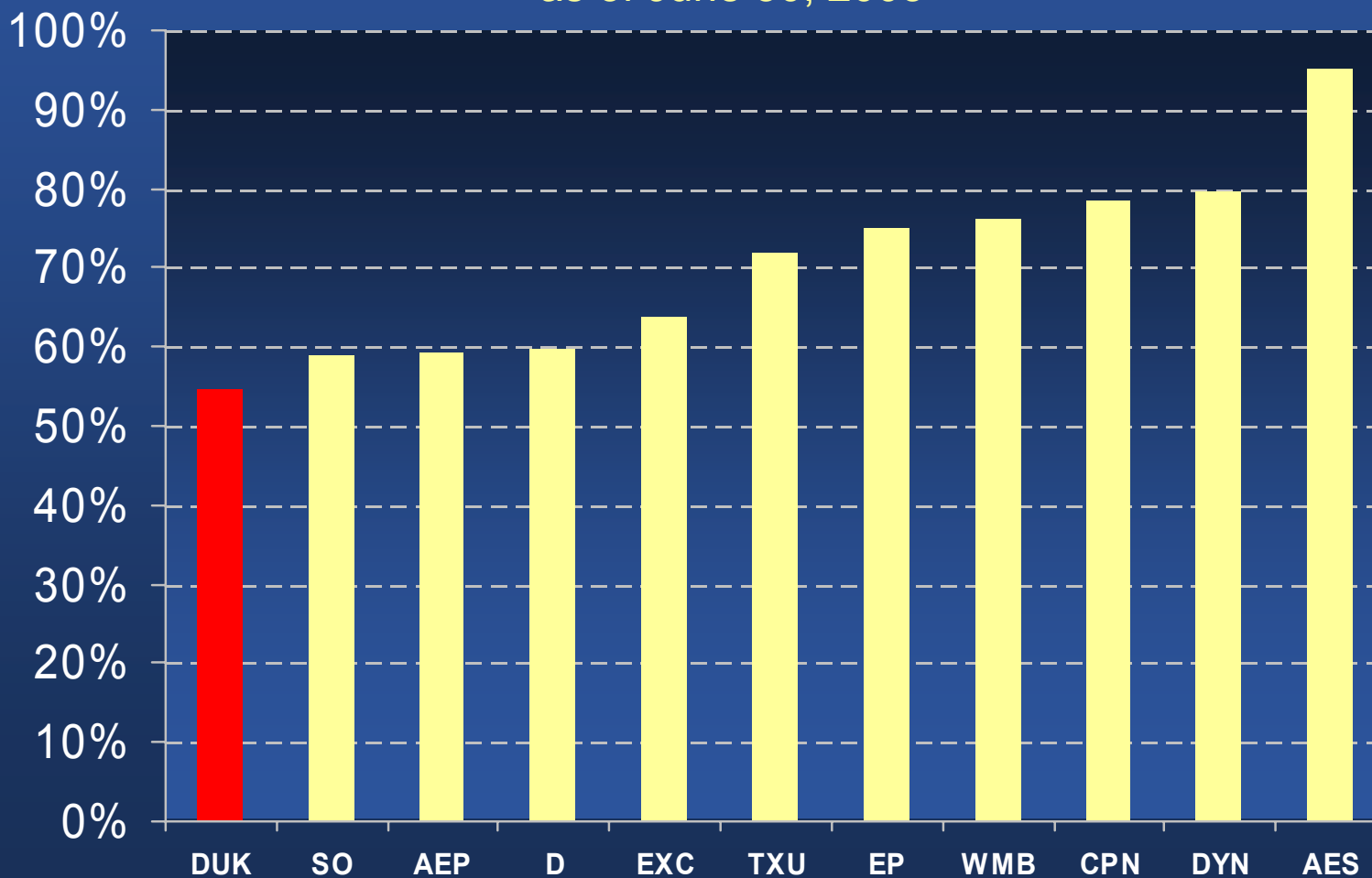
(\$ in millions)

## 2003 Activity thru June 30:

|  |                        |
|--|------------------------|
| Reduction of LT Debt, CP and<br>Trust Preferred Securities | \$ 2,387               |
| LT Debt Issued   | (1,707 )               |
| Debt reduction related to sale<br>of Empire Pipeline       | 58                     |
| Net Increase in Cash Balance as of 6/30/03                 | <u>625</u>             |
| Net Reduction in Debt and Trust Preferreds                 | <u><u>\$ 1,363</u></u> |

# Leverage: Duke Energy vs. Peers

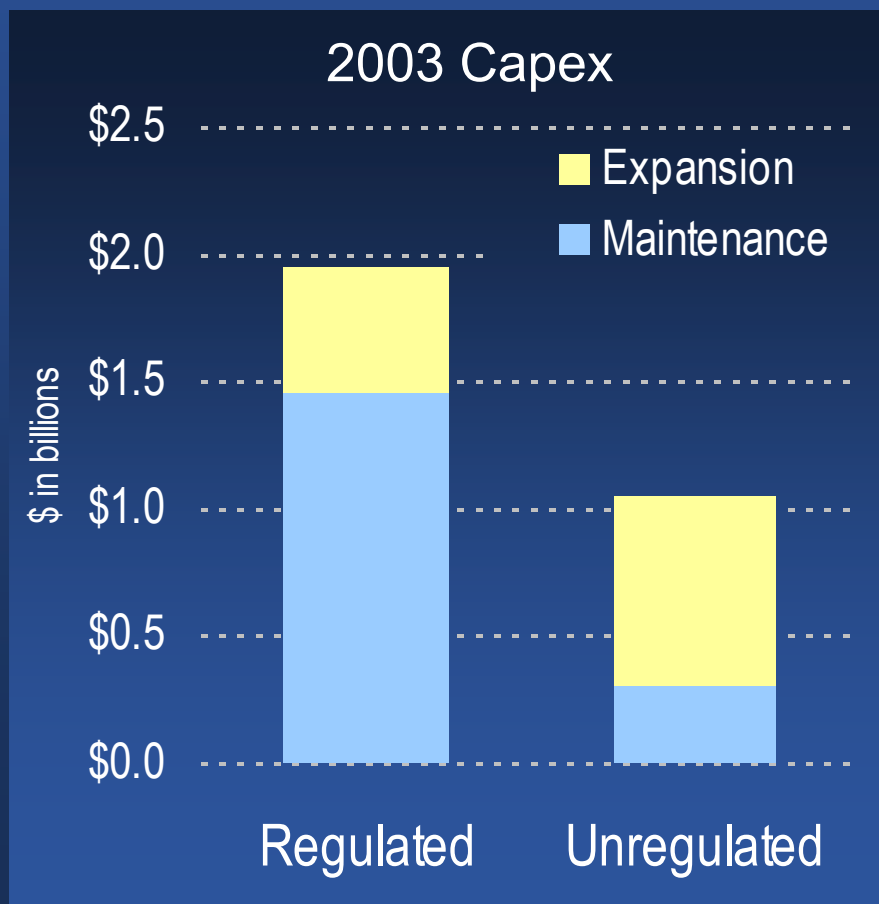
Total Debt to Capitalization  
as of June 30, 2003



# 2003 Strategic Directives

## 2 Invest in our strongest business segments

- Disciplined approach to capital investment
- Capital expenditures for 2003 expected to be \$3 billion; \$2.4 billion in 2004 and 2005
- The majority of capital expenditures will go to Duke Energy's regulated operations – both gas and power



# 2003 Strategic Directives

## 3 Size businesses to market realities

- Majority of scaling back has been in our merchant businesses
- Focusing on efficient operations, streamlining costs and increasing productivity

## 4 Address merchant energy issues

- Working through first down cycle in merchant energy; discontinued proprietary trading
- Placing greater emphasis on sales to wholesale customers and maximizing value of merchant generation assets

# 2003 Strategic Directives

## 5 Strengthen relationships with customers

- Competitive advantage in reputation for reliability, operational excellence and financial strength
- Continue to reinforce existing customer relationships and pursue new customers

## 6 Reduce regulatory & legal risk

- Positive outcomes on a number of cases related to California; noted as a “model competitor”
- Favorable ruling related to the New Source Review supporting our view on compliance requirements

# Strengths and Competitive Advantages

- Focus on balance sheet improvement, cash flow and liquidity
- Balanced business model – regulated / unregulated
- Strong competitive position: geography, lines of businesses and fuel sources
- “Free” option on merchant energy business
- Management depth and experience