



Monthly Chat

David Hauser
Senior Vice President
and Treasurer

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Objectives

- Provide management's view on the forecasted credit metrics and financial flexibility at Duke Energy and Duke Capital
- Update our cash flow expectations based upon current levels of asset sales, capex and associated debt reduction estimates

Introduction

- In response to challenges in the energy markets and sluggish economy Duke Energy has made adjustments to its Business Plan:
 - Generate positive net cash flow by selling non-strategic assets, reducing capex and streamlining costs
 - Reduce balance sheet leverage by paying down debt
 - Reduce merchant risk
- Duke Energy's regulated operations – Duke Power and Gas Transmission – continue to provide strong earnings and cash flow generation for the corporation
- Despite merchant energy industry difficulties, Duke Energy is well positioned to strengthen its balance sheet and support its existing credit ratings

2002 Financial Performance Summary



- Although Duke Energy's reported financial performance declined in 2002 from prior years' results, cash generation and coverage ratios remained relatively strong

	DEC	DCC
	Actual	Actual
Funds from Operations (\$ in billions)	\$4.1	\$2.6
FFO to Total Avg Debt	31.6%	29.6%
FFO Interest Coverage <i>(FFO + Cash Int/Accrued Int)</i>	5.8x	5.3x

- With the downturn in our sector and the economy at large, management has taken steps to improve the balance sheet and preserve financial strength




Non-Strategic Asset Sales: Exceeding Expectations



- Approximately \$1.1 billion in gross proceeds for non-strategic asset sales are announced or completed, surpassing original target
- Additional non-strategic asset divestitures expected to reach \$1 billion in gross proceeds
 - Approximately \$400 million in 2003
 - Approximately \$600 million in 2004

2003 Non-Strategic Asset Sales

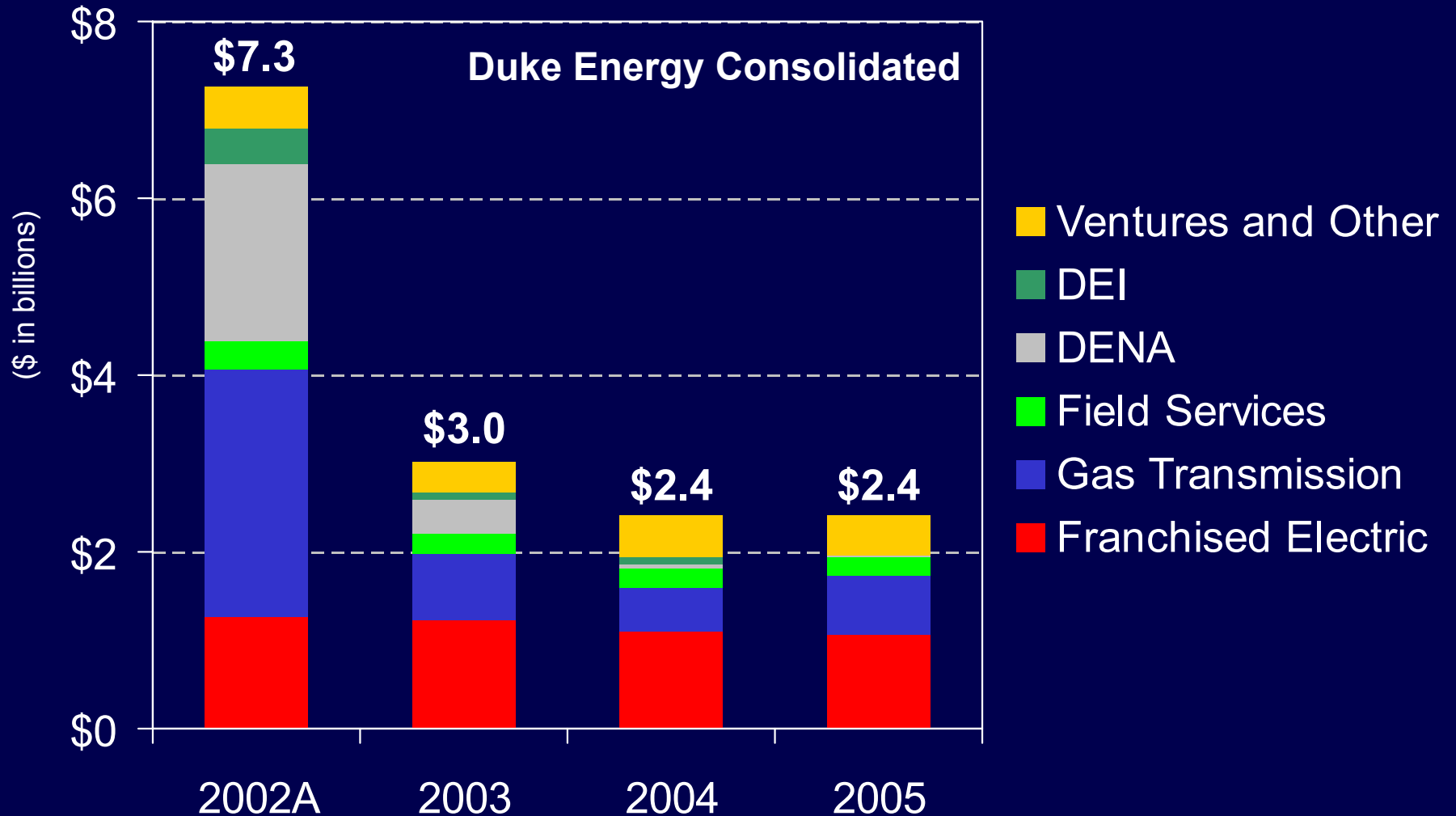
(\$ in millions)

	Gross Proceeds	After-tax Cash Proceeds	Annual EBIT Reduction	Annual Operating Cash
<i>Announced/Closed</i>				
Empire Pipeline	\$ 240 (1)			
American Ref-Fuel	306			
Alliance/Aux Sable	245			
Northern Border units	24			
TEPPCO units	114			
DCP loan monetization	198			
<i>Total</i>	\$ 1,127	\$ 935	\$ 130	\$ 100
<i>Add'l Potential Sales</i>	\$ 400	\$ 400	\$ 25	\$ 30
<i>Total Asset Sales for 2003</i>	\$ 1,527	\$ 1,335	\$ 155	\$ 130

(1) Includes \$58 million of debt assumed

Note: For the purposes of this presentation, EBIT and Operating Income are the same

Capital Expenditures



Note: 2002 includes \$1.7 billion for the cash consideration paid for the Westcoast acquisition.

Debt Reduction: Exceeding Forecasts



By the end of 2005, Duke Energy will reduce its outstanding debt balance by approximately \$5.5 billion with \$1.8 billion reduction in 2003.

Duke Energy Consolidated Debt



Debt Reduction: Exceeding Forecasts



By the end of 2005, Duke Capital will reduce its outstanding debt balance by approximately \$6.3 billion with \$2.5 billion reduction in 2003.

Duke Capital Consolidated Debt



Debt Reduction Supported by Common Equity Transactions

(\$ in millions)	2002	2003	2004	2005
Public offering	\$ 975	\$ -	\$ -	\$ -
Internal plans	348	250	250	250
Mandatory converts	-	-	1,625	-
Total equity issues	\$ 1,323	\$ 250	\$ 1,875	\$ 250
Equity infused to DCC	\$ 1,625	\$ 450	\$ 1,000	\$ -
Year-end equity available to infuse to Duke Capital	\$ 600	\$ 400	\$ 1,275	\$ 1,525

Reducing Merchant Risk

- Key Issues
 - Supply/demand imbalance
 - Trading risks
 - Collateral requirements
- Steps Taken
 - Deferred 3 plants and completing construction of 1,860 MW in 2003, no plans for 2004
 - Discontinued proprietary trading
 - Limiting maximum outgoing collateral requirements
 - ◆ Targeting maximum \$1 billion for peak requirements

Collateral from Discontinued Operations



Collateral Levels (\$MMs)

Projected Forward Months



Liquidity Position

(as of April 21, 2003)

	Duke Energy	Duke Capital	Other *
Credit Facilities	\$950 million	\$1.9 billion	\$1.45 billion
LOC Facilities	n/a	\$790 million	n/a
TOTAL CAPACITY		\$5.1 billion	
CP Outstanding	\$450 million	\$475 million	\$300 million
LOC Outstanding	n/a	\$550 million	n/a
Other Borrowings	n/a	n/a	\$250 million
TOTAL OUTSTANDING		\$2.0 billion	
TOTAL UNUSED CAPACITY		\$3.1 billion	
Cash		\$1.3 billion	

* Includes Westcoast, Union Gas, Field Services and Australia

Cash Flow Assumptions

- Net income is held flat at \$1.4 billion for the three year period 2003 to 2005. Net income for 2004 and 2005 does not represent official company guidance but is used solely for the purposes of this discussion
- Net book value of non-strategic asset sales is expected to be about \$1.3 billion for 2003 and \$600 million in 2004
- Mandatory convertibles reduce debt at Duke Capital by \$1.6 billion and increase equity at Duke Energy by the same amount in 2004

2003 Cash Flow: Exceeding Expectations



(\$ Millions)

Duke Energy Consolidated

Primary Sources:

	2003	2004	2005
Income (see note below)	\$ 1,400	\$ 1,400	\$ 1,400
Depreciation & amortization	1,900	2,100	2,200
NBV of ongoing Crescent inventory sales	500	400	450
NBV of non-strategic asset sales	1,300	600	--
Deferred income taxes	200	60	100
Other sources/(uses), net	250	(75)	200
Subtotal	<u>5,550</u>	<u>4,485</u>	<u>4,350</u>
Equity (DRIP, mandatory converts)	250	1,875	250
Total Sources	<u>\$ 5,800</u>	<u>\$ 6,360</u>	<u>\$ 4,600</u>

Primary Uses:

Capital expenditures	(3,000)	(2,400)	(2,400)
Dividends	(1,000)	(1,025)	(1,070)
Pension fund contributions	--	(200)	(130)
Total Uses	<u>\$ (4,000)</u>	<u>\$ (3,625)</u>	<u>\$ (3,600)</u>

Positive Net Cash

	<u>\$ 1,800</u>	<u>\$ 2,735</u>	<u>\$ 1,000</u>
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Note: Net income is assumed flat for the three year period. The amounts for 2004 and 2005 do not represent official company guidance but are used solely for the purposes of this discussion.

2003 Cash Flow: Exceeding Expectations



(\$ Millions)

Duke Capital Consolidated

Primary Sources:

	2003	2004	2005
Income (see note below)	\$ 750	\$ 750	\$ 750
Depreciation & amortization	1,100	1,100	1,100
NBV of ongoing Crescent inventory sales	500	400	450
NBV of non-strategic asset sales	1,300	600	--
Deferred income taxes	200	150	200
Other sources/(uses), net	(50)	(100)	200
Subtotal	3,800	2,900	2,700
Equity/Parent infusions	450	1,000	--
Total Sources	\$ 4,250	\$ 3,900	\$ 2,700

Primary Uses:

Capital expenditures	(1,800)	(1,300)	(1,300)
Pension fund contributions	--	(100)	(60)
Total Uses	\$ (1,800)	\$ (1,400)	\$ (1,360)

Positive Net Cash

Total	\$ 2,450	\$ 2,500	\$ 1,340
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Note: Net income is assumed flat for the three year period. The amounts for 2004 and 2005 do not represent official company guidance but are used solely for the purposes of this discussion.

Improving Credit Metrics: Key Assumptions

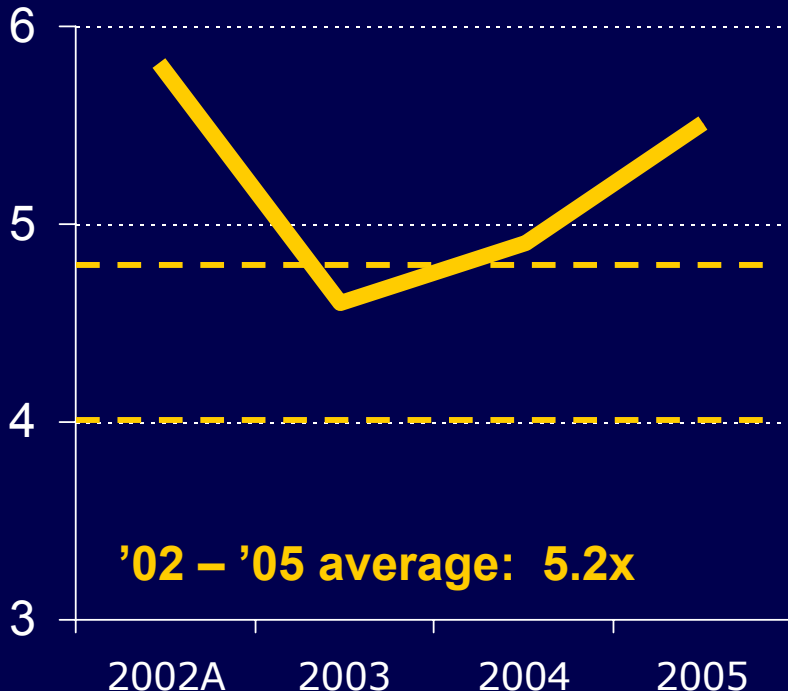
- Funds from Operations (FFO) are challenging to calculate as net income is adjusted for many items by rating agencies such as deferred income taxes and Crescent's operating cash flows
- Debt component adjusted for items totaling approximately \$6 billion in 2003 and \$4 billion in 2004
 - Equity units
 - Non-recourse debt considered off-credit debt
 - ◆ Rated entities – DEFS, Maritimes & Northeast
 - ◆ Other entities in Asia Pacific and Latin America
 - Further reduced by cash
- Interest component excludes equity units and off-credit debt

2003 – A Trough not a Trend: Debt Reductions Improve FFO Ratios

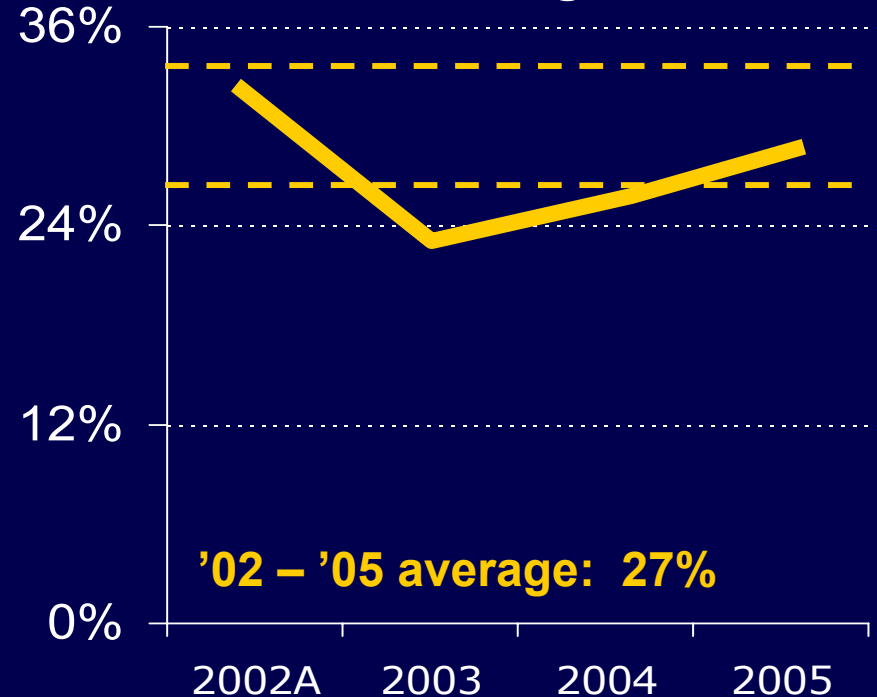


Duke Energy

FFO Interest Coverage



FFO / Average Debt



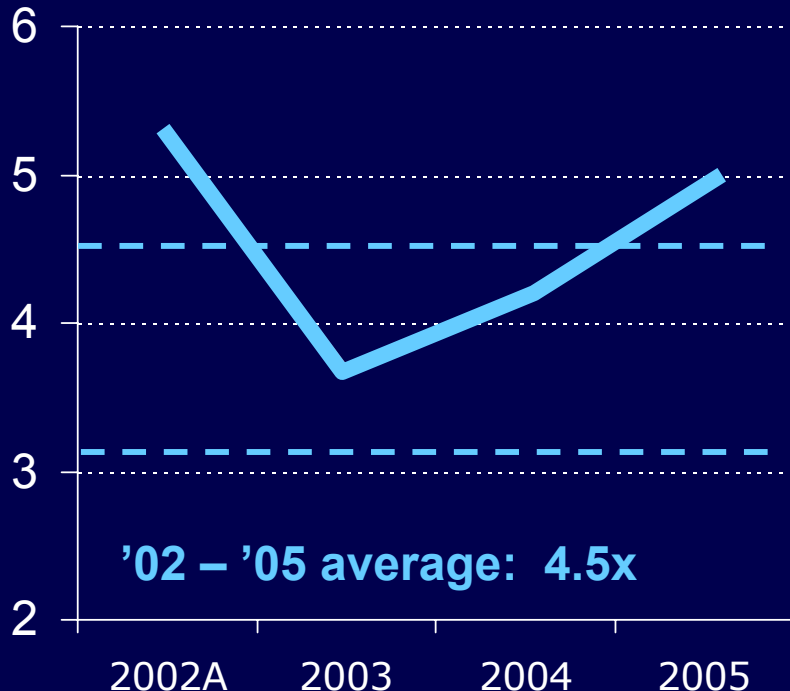
- Duke Energy Corporation (A-/A3)
- - - - S&P ratios for "A" range (5)

2003 – A Trough not a Trend: Debt Reductions Improve FFO Ratios

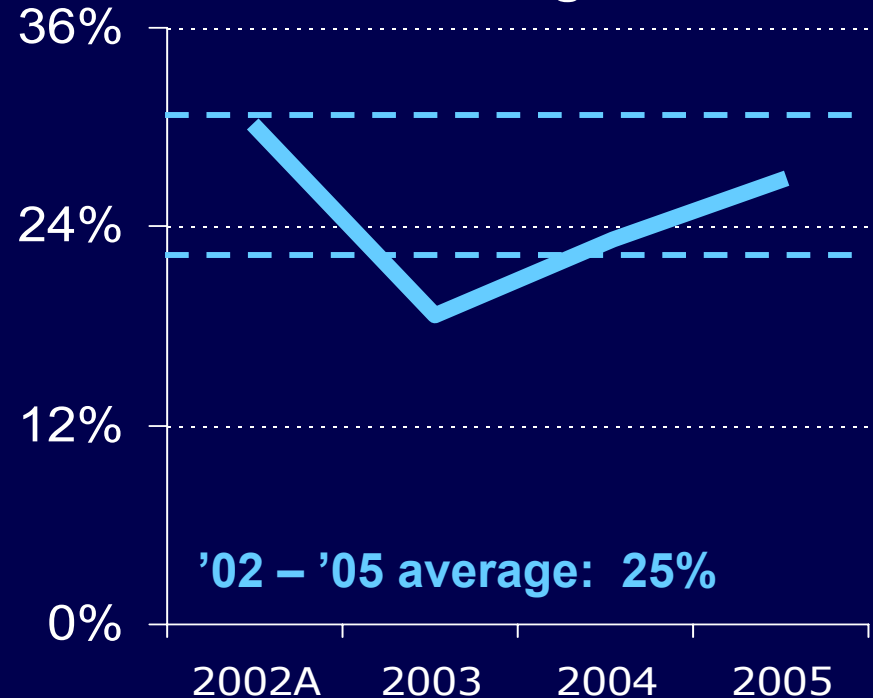


Duke Capital

FFO Interest Coverage



FFO / Average Debt



- Duke Capital Corporation (BBB+/Baa2)
- - - - S&P ratios for "BBB" range (6)

Financial Recap

- 2003 Expectations
 - Expected debt reduction of approximately \$1.8 billion
 - Announced asset sales in excess of target, likely to be approximately \$1.5 billion in gross proceeds for full year
 - ◆ Additional sales proceeds will be used to pay down more debt at Duke Capital
 - Capex spending expected to be \$3 billion
 - Current plan fully supports annual dividend of \$1.10 per share
- 2004 Expectations
 - Capex spending of \$1.8 billion for maintenance; expected expansion capex of \$600 million, primarily Crescent and pipelines
 - \$1.6 billion in debt at Duke Capital converts to common equity at Duke Energy (May and November)
 - Asset sales expected to be about \$600 million
 - Expected debt reduction of approximately \$2.7 billion

Summary

- Balance sheet strengthened through significant debt reductions
 - Committed to reducing outstanding debt by approximately \$5.5 billion over the next 3 years
 - Interest coverage ratios improve as debt decreases
- Additional flexibility for Duke Capital to receive equity support from Duke Energy, if needed
- Current credit ratings are supported by the 2003 - 2005 Business Plan



Monthly Chat

Question and Answer Session

April 2003