



DUKE ENERGY INDIANA

Preparation for Summer 2006

Presentation to Indiana Utility Regulatory Commission

May 18, 2006

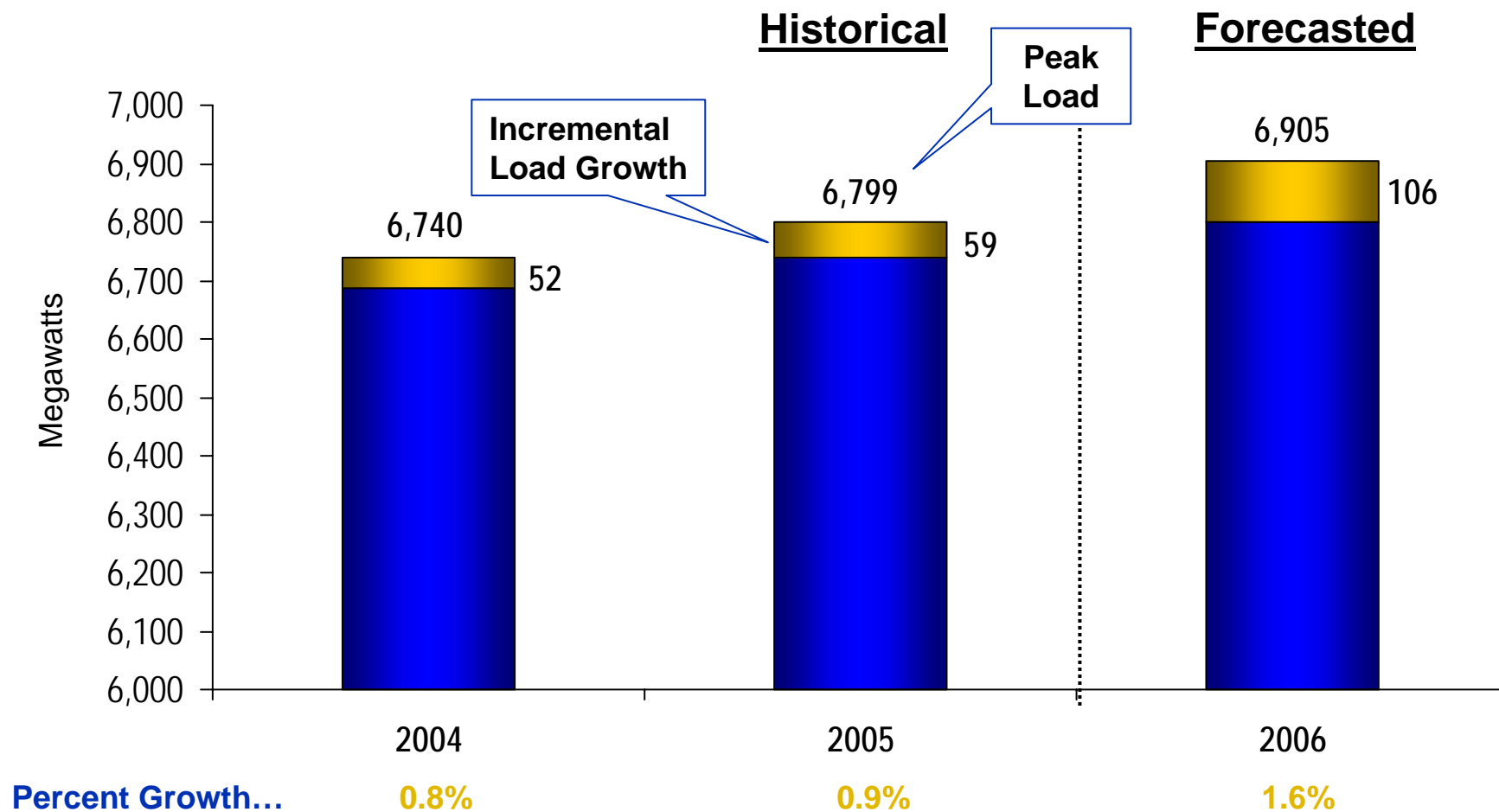


Overview of Presentation

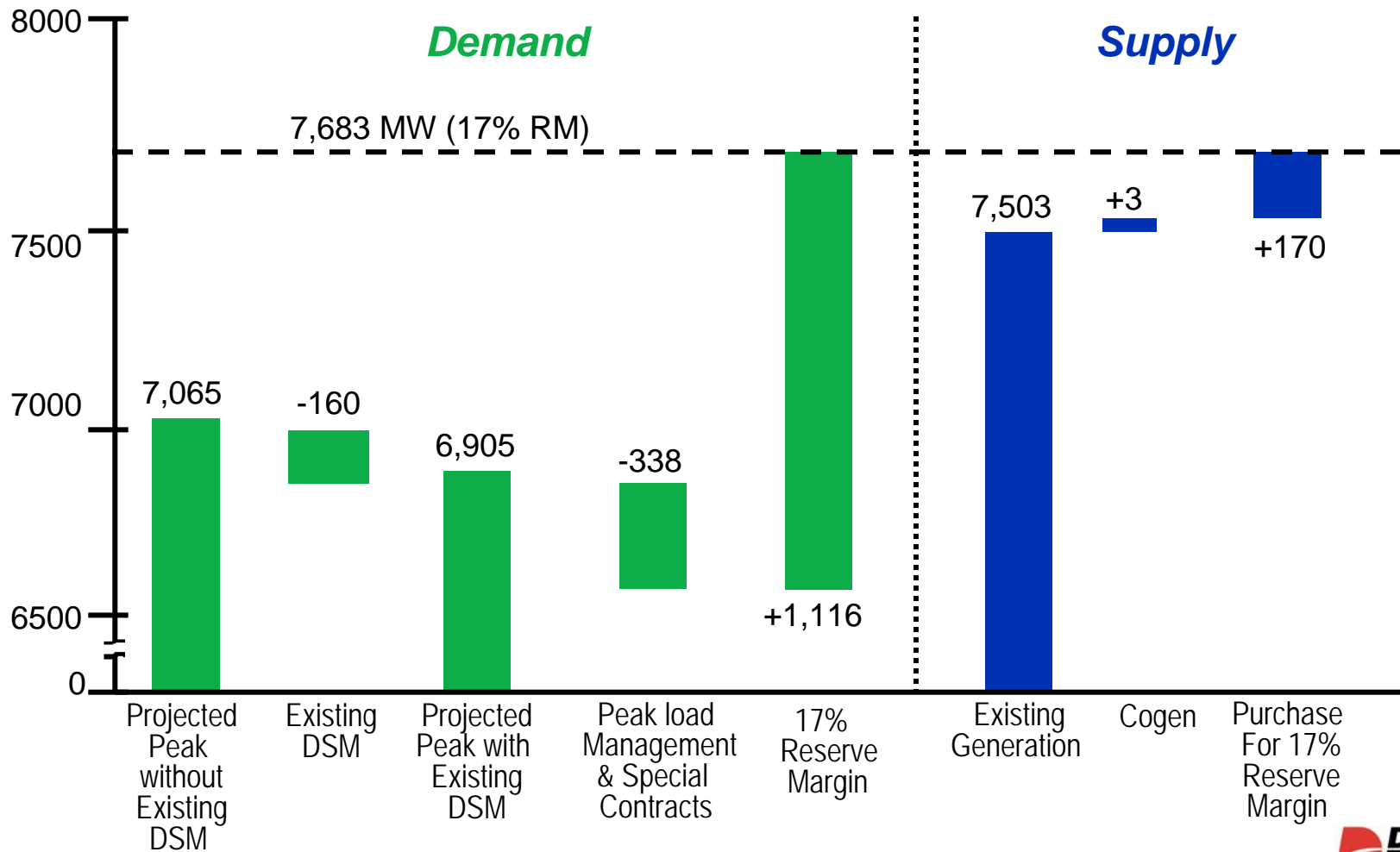
- 2006 Capacity and Energy Needs of Duke Energy Indiana
- Steps Taken to Prepare for Summer
- Challenges
- Appendix: Duke Energy – U.S. Franchised Electric & Gas

Duke Indiana's Peak Demand Forecast

Weather Normalized Peak Load



Duke Indiana's Capacity Requirements For Summer 2006





Energy Requirements For Summer 2006

- Energy Position is different from Capacity Position
 - Capacity Position is determined by comparing the unit capability of Duke Indiana's generation and purchase portfolio to the expected peak load
 - Energy Position is determined by comparing the economic dispatch of Duke Indiana's generation and purchase portfolio to expected market prices
- Without any energy purchases, Duke Indiana was forecast to be "short" economic energy for certain periods of Summer 2006.
- Making energy purchases to fill this short position will help mitigate the risk of customers paying spot market prices for this energy at times when these prices could be very high.



Steps Taken for Summer 2006 Purchased Capacity and Energy

- Despite recent additions to its physical capacity, Duke Indiana's current on-system reserve margin is slightly below 15%
- MISO requirements include a day-ahead ~4% capacity reserve requirement (after outages and derates) from physical capacity for Reliability First companies
- Duke Indiana has completed purchases (170 MW) from physical capacity for July-August to achieve a 17% installed reserve margin in order to ensure compliance with the day-ahead ~4% requirement
- Duke Indiana has purchased a number of forward energy price hedges for Summer 2006 to cover its forecasted short economic energy position. Additional energy options may be purchased to further hedge against summer price volatility, depending on the pricing of such options.



Steps Taken For Summer 2006 Generation System

- All generating units are scheduled to be available June through September 2006.
- Wheatland combustion turbines were purchased in August of 2005 giving Duke Indiana increased capacity (@460MW)
- Will operate 5 SCRs at Gibson this summer during NOx Season
- Duke Indiana will have performed 50 weeks of maintenance outages this past spring
- Continue to focus on:
 - Peak availability (*i.e.*, high availability during peak periods)
 - A program of “availability outages” aimed at addressing potential summer failure situations
 - System-wide and plant-wide contingency planning with the goal of reducing the length of any forced outages



Steps Taken For Summer 2006 T & D System

- 230kV and 138kV transmission rehabilitation
 - In 2005, 44.3 miles of 138kV and 38.5 miles of 230kV transmission lines were completed
 - Over 238 of 630 miles completed since start of seven-year plan begun in 2003
- Upgrades to the Trouble Call Outage Management System were completed
- \$121.9 million in long-term T&D investments for load growth and system enhancements includes:
 - \$7.7million in new transmission substation capacity for load growth around Columbus and Hamilton County
 - \$2.7 million for transmission capacitors to improve system reliability
 - \$15 million for increased distribution transformer capacity in 10 different communities



Steps Taken For Summer 2006

Incremental Demand Side Management Programs

- Between 1991 and 2006, Duke Indiana DSM programs have created:
 - Over 160 MW of annual peak demand reductions
 - Over 660,000 MWh annual energy reductions
- Additional 2006 projected peak load management reductions:
 - Special contracts (*e.g.*, interruptible): 238 MW
 - Special Contract – Hourly Pricing: 21 MW
 - PowerShare®
 - Call (customer contractual commitment): 40 MW
 - Quote (voluntary, yet compensated): 38 MW
 - Power Manager-Direct Load Control 40 MW



Summer 2006 Challenges

Transmission Reliability

- Spring thunderstorms caused substantial damage to the Duke Indiana transmission system. Thirty-seven transmission lines were damaged as a result of tornados and straight line winds.
- Thirty-six of the lines have been repaired and returned to service. The work on a 345kV line near Vincennes is being expedited and is expected to return to service the end of May.
- Damage to transmission structures from these storms will cost over \$10 million to repair or replace.
- MISO Day 2 dispatch worked well in maintaining system reliability during these transmission outages

Summer 2006 Challenges

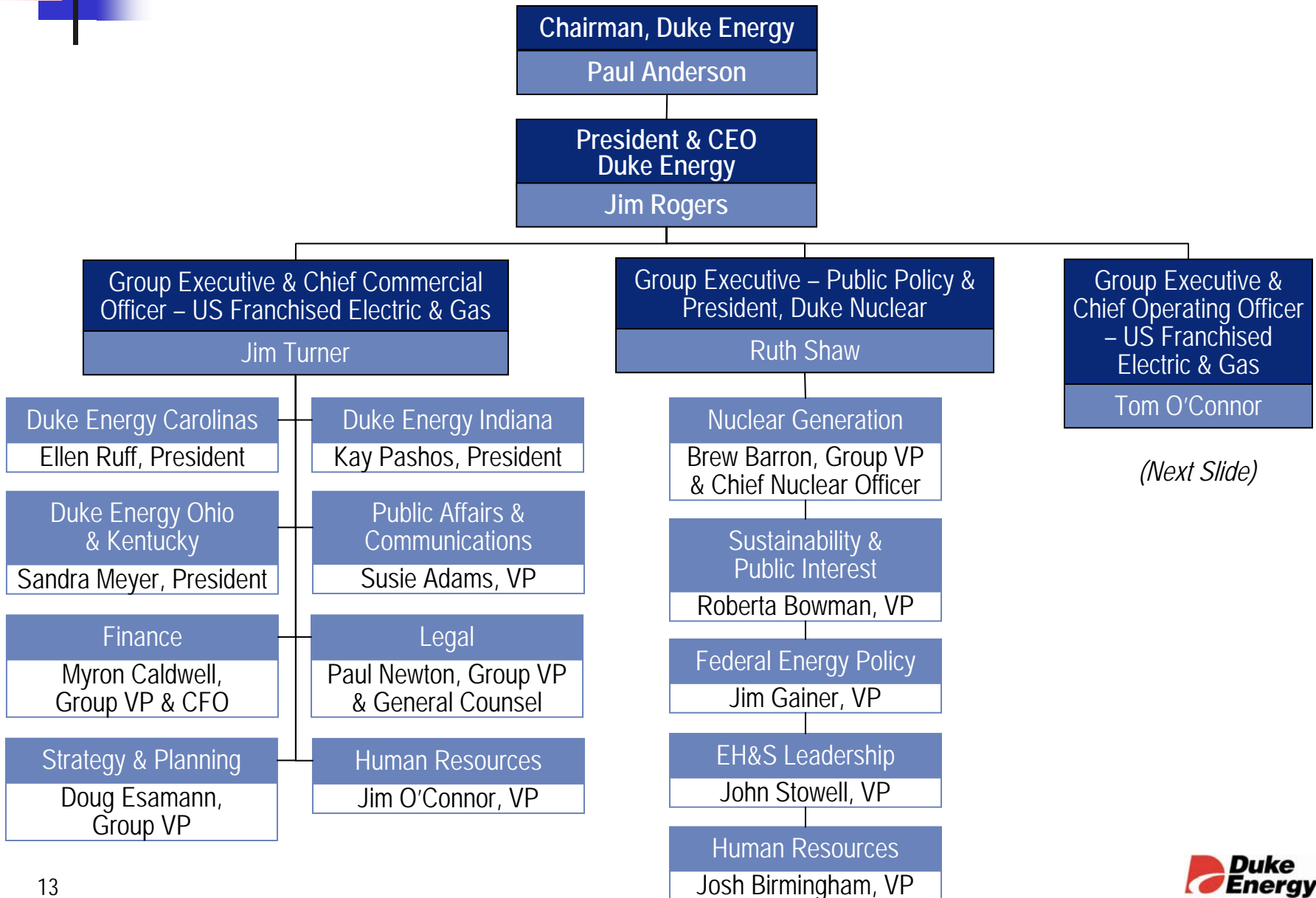
Commodity Price Volatility

Commodity	2003	2004	2005	% Change 2005 vs. 2003
WTI Crude Oil Price (\$/bl)	31.1	41.5	56.6	+82%
Natural Gas – Henry Hub (\$/MMBtu)	5.46	5.90	8.50	+56%
Central Appalachia Compliance Coal (\$/Ton)	35.7	57.0	64.8	+82%
Illinois Basin High Sulfur Coal (\$/Ton)	23.7	31.7	37.5	+58%
Wyoming Powder River Basin High Btu Coal (\$/Ton)	6.3	6.3	9.7	+55%
SO ₂ Allowance (\$/Ton)	174.3	437.9	906.0	+420%
NO _x Allowance (\$/Ton)	4,516.2	2,258.1	2,907.8	-36%

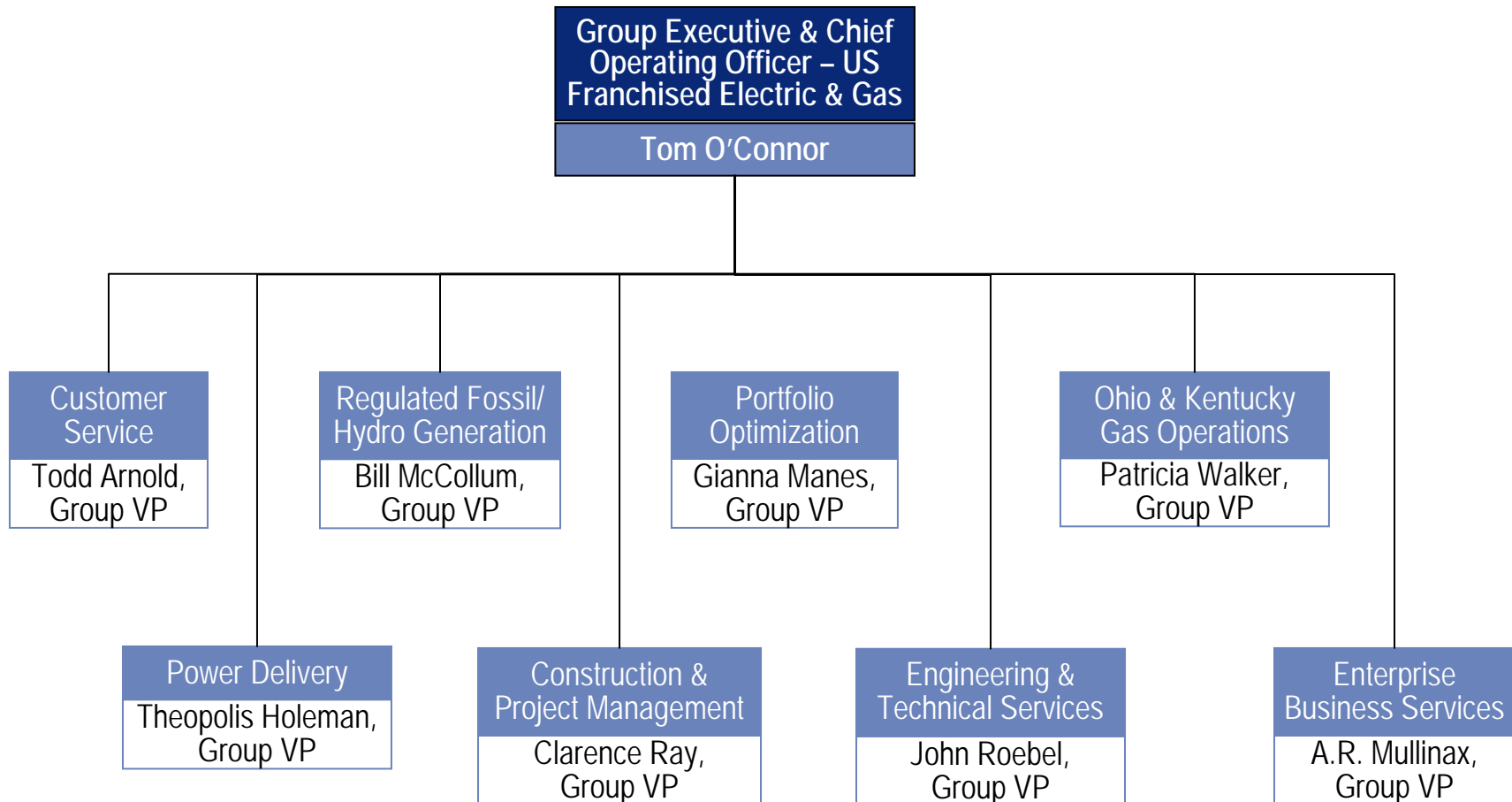


Appendix

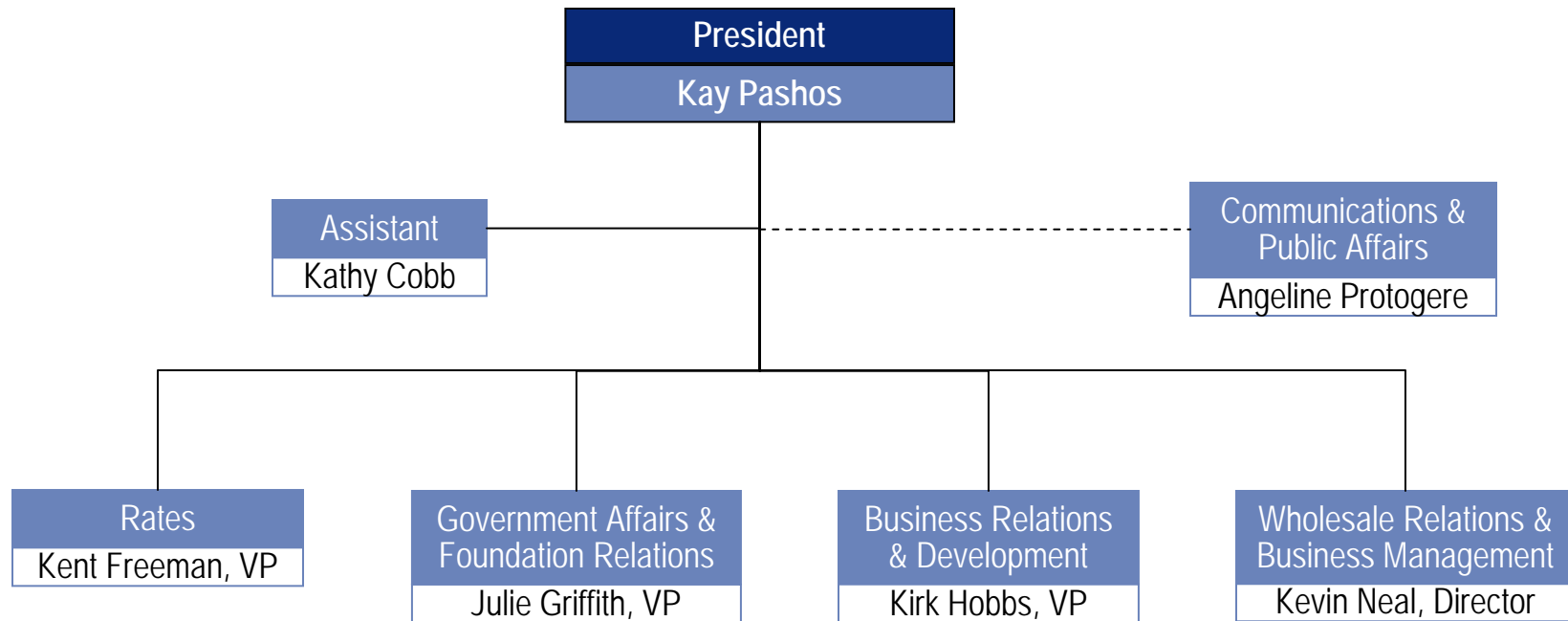
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Indiana President – Duke Energy Indiana



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