

Duke Energy

Southeast Association of Rail Shippers

FUELS

• PLANNING

• RELIABILITY

• RENEWABLES

• EFFICIENCY

• CLIMATE



September 30, 2009



Today's Agenda

- Duke Overview
 - Dependence on Rail Transportation
 - New Projects Involving Rail
 - Global Coal Market
 - Domestic Coal Market
 - Impact of Economic Downturn
 - Rail Transportation Issues
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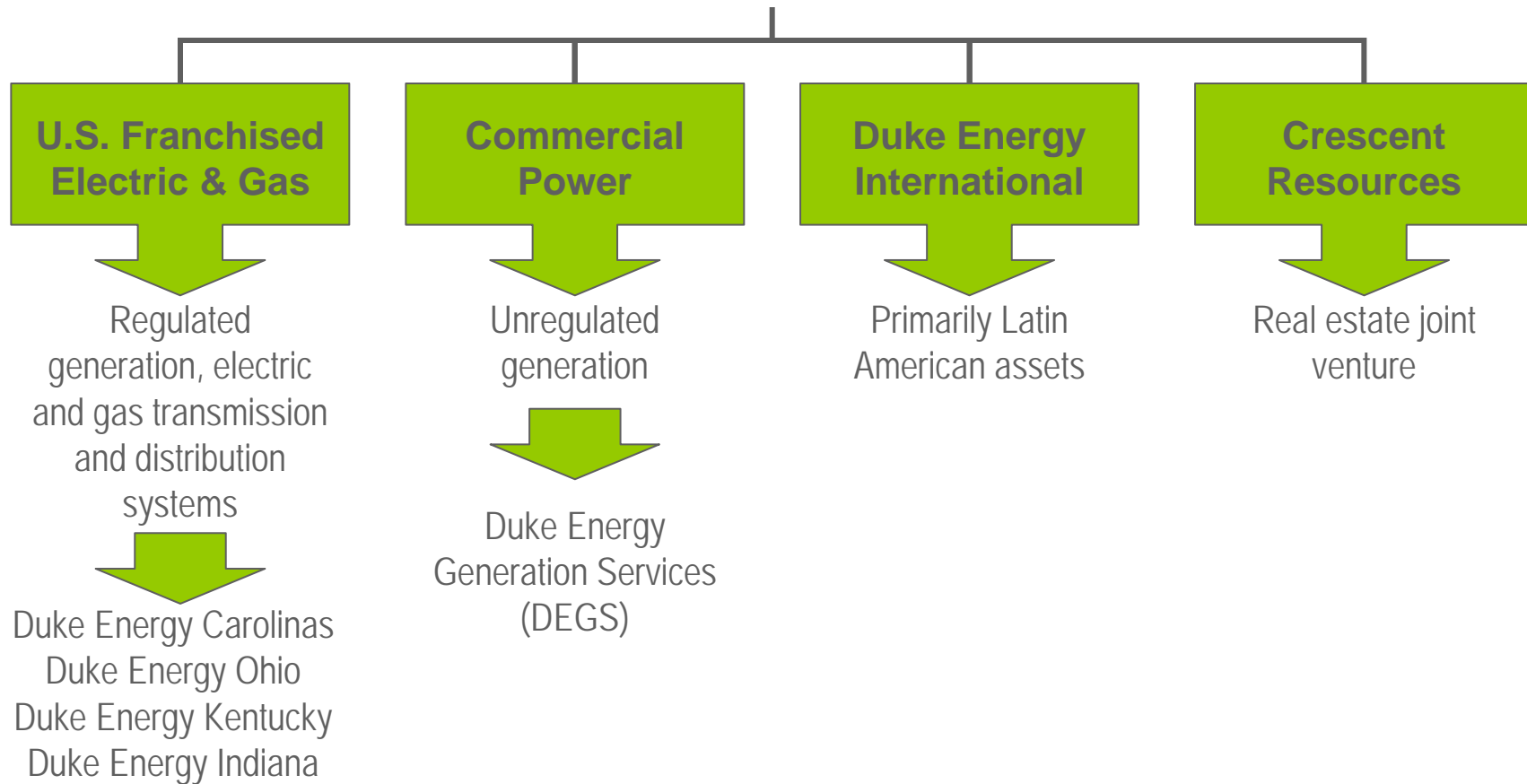
Facts about Duke Energy

- 150+ years of service
- 4 million customers
- Fortune 500
- \$13.2 billion in revenues
- \$50 billion in assets
- Stock dividends for 80+ years
- Traded on NYSE as DUK
- Dow Jones Sustainability Index
- Low Electricity Rates



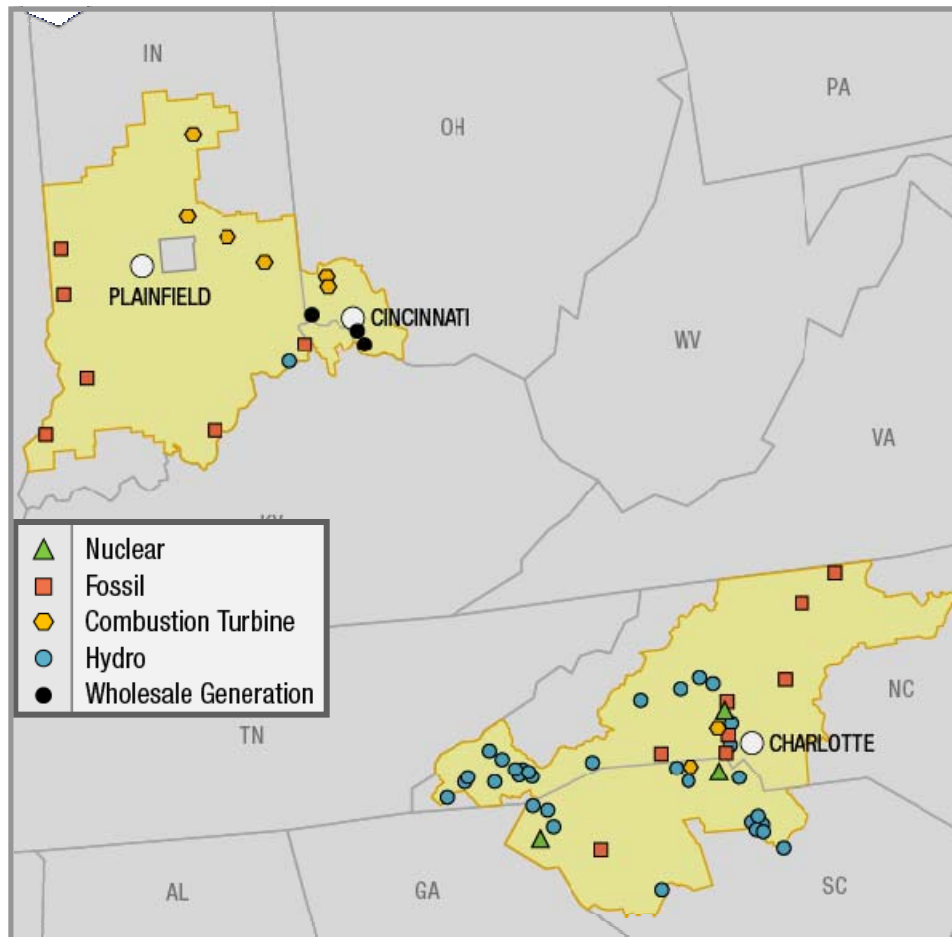


The Businesses We're In





USFE&G and Commercial Power



- 5 states: NC, SC, IN, OH, KY and IL, PA, TX, WY
- 47,000 square miles of service area
- 36,000 MW of generating capacity
- 3 nuclear stations
- 6 hydro stations
- 20 coal-fired stations
- 22 natural gas stations
- 2 wind sites in TX and WY



Duke Energy – Dependence on Rail Transportation

Coal, Lime & Limestone Consumption:

- Carolinas – 19 million tons by rail
- Midwest – 28 to 29 million tons
 - 13 million tons by rail
 - 12.5 million tons by barge
 - 2 to 3 million tons by truck
- Total Tons = 48 million annually

Total Tons by Rail = 32 million annually



USFE&G – New Projects Involving Rail



Cliffside Unit 6 – North Carolina

- 825 MW advanced coal unit
- Upon completion in 2012, will replace 1,000 MW of older coal units
- State-of-the-art emissions controls



Edwardsport – Indiana

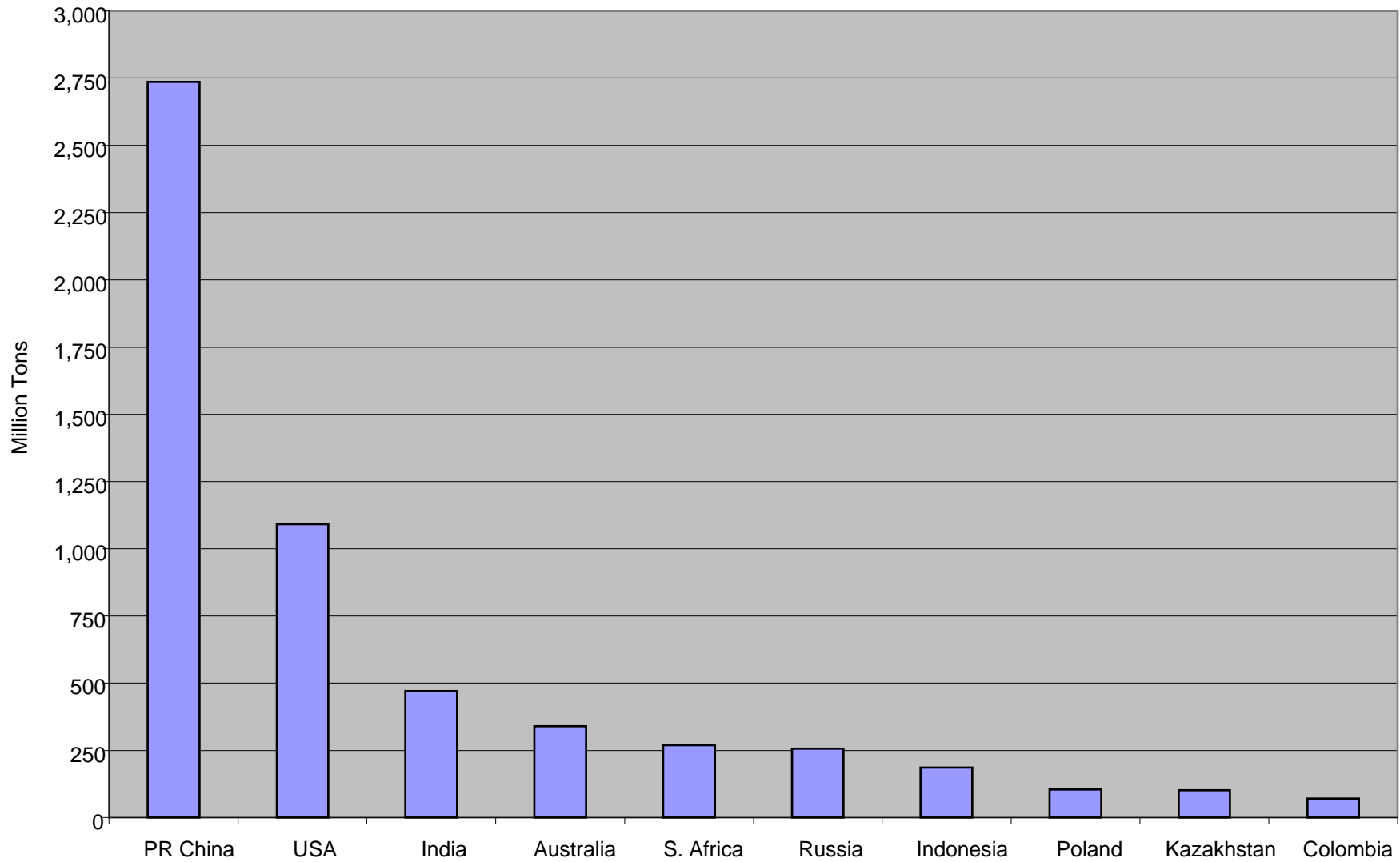
- 630 MW Integrated Gasification Combined Cycle (IGCC) unit
 - Upon completion in 2012, will replace 160 MW of older coal units
 - Potential for carbon capture and storage
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Global Coal Market

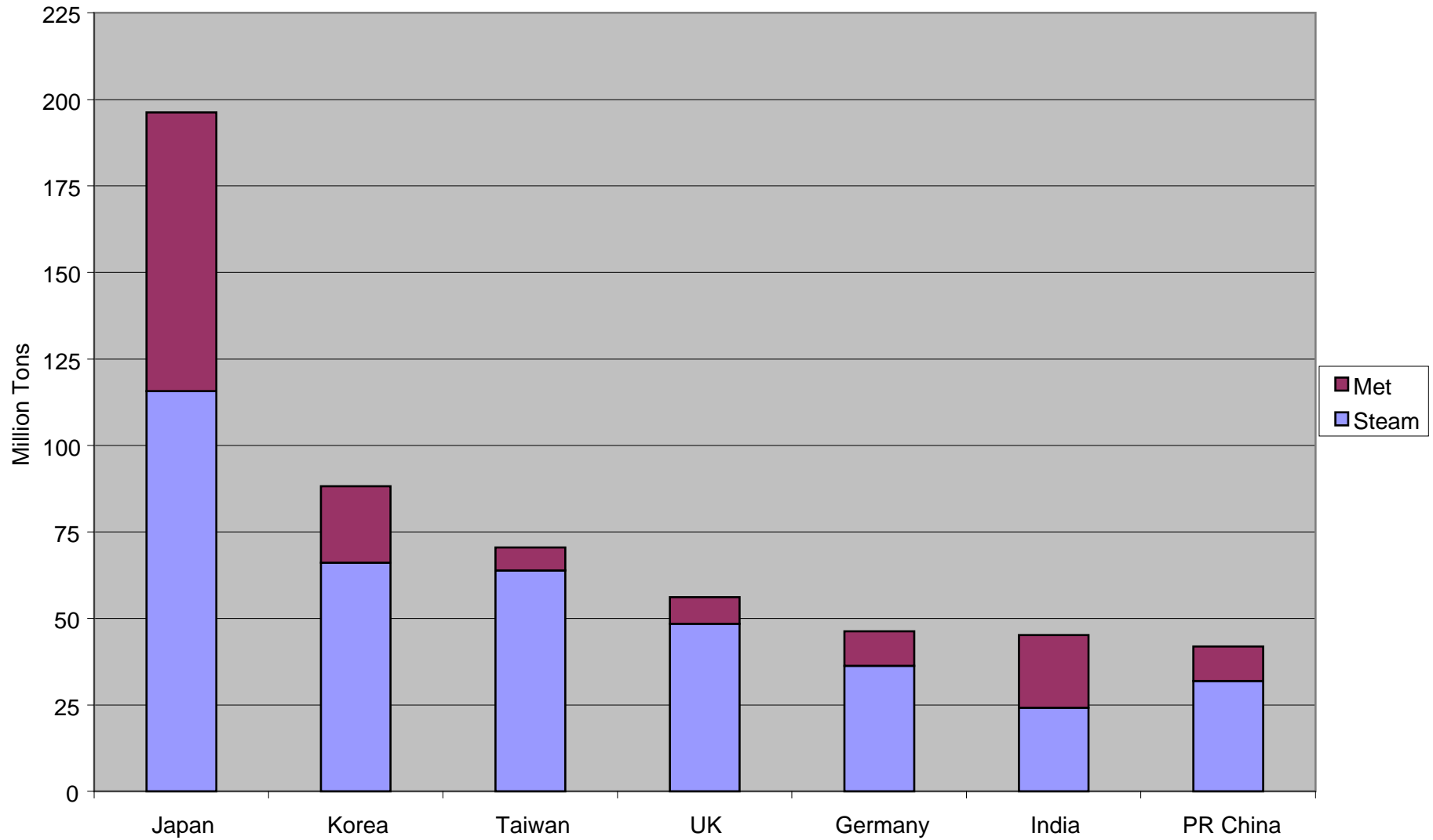


Top Ten Coal Producers



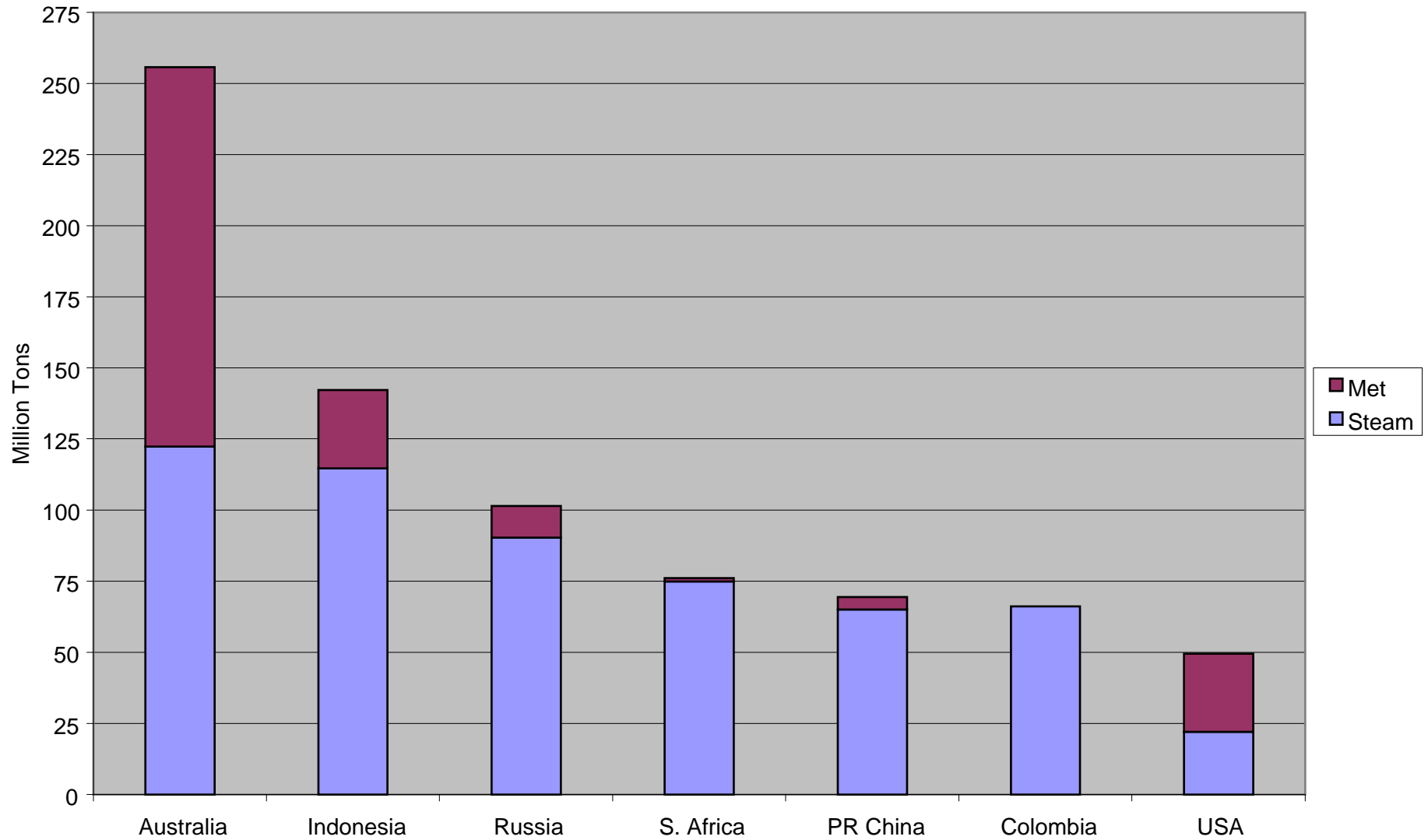


Top Coal Importing Countries



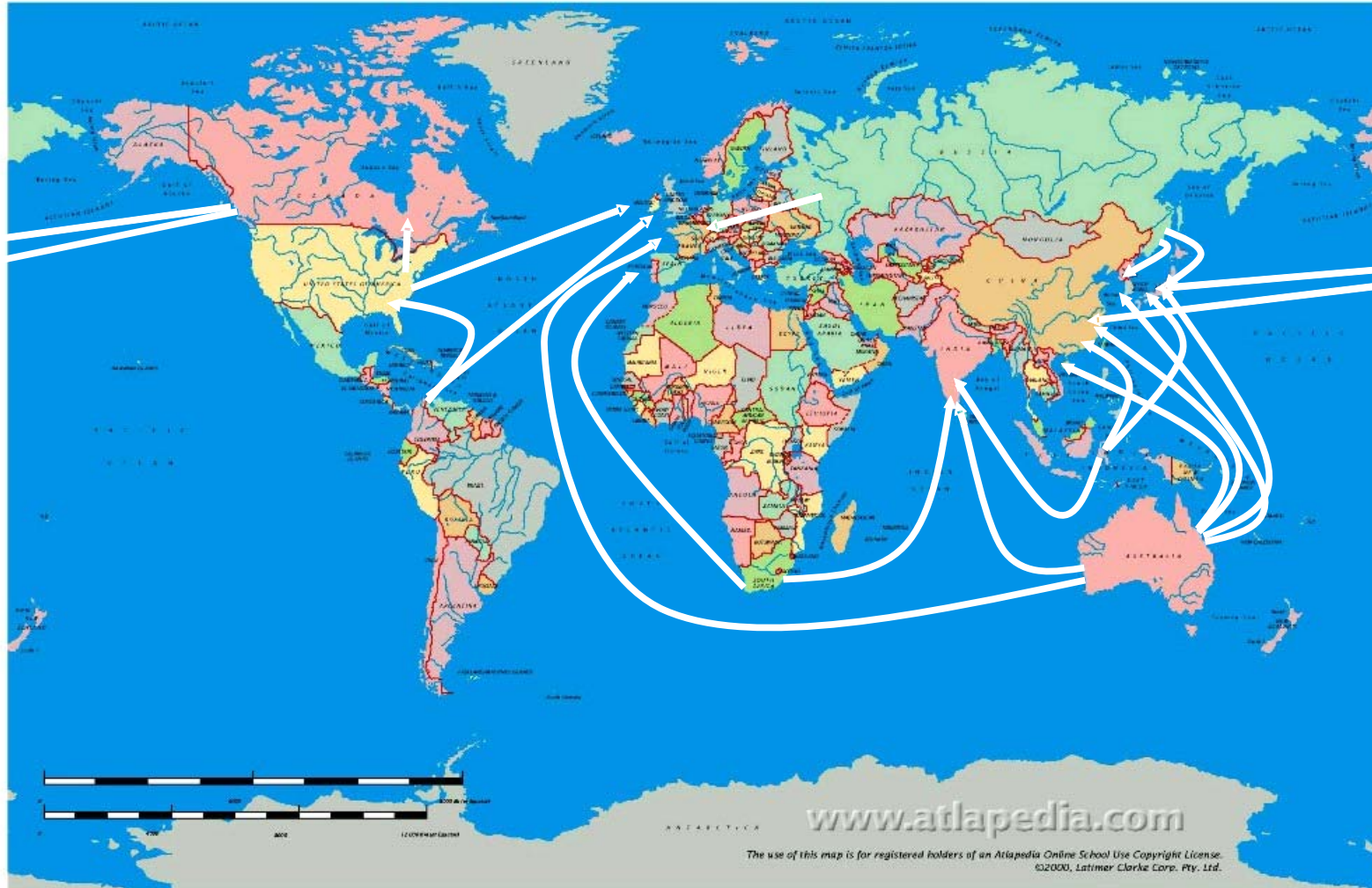


Top Coal Exporting Countries



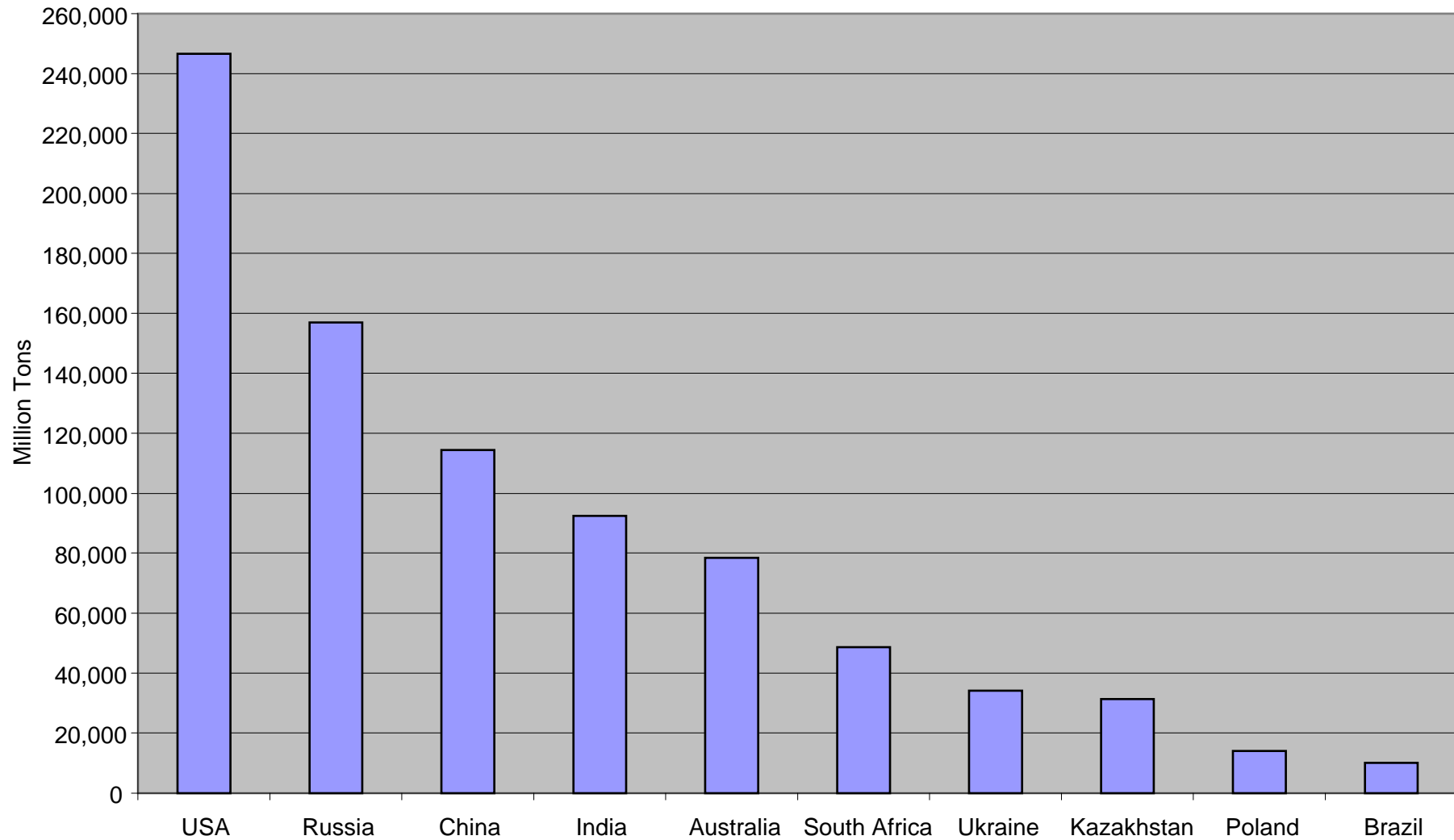


Typical Export Coal Flows





Remaining Coal Reserves



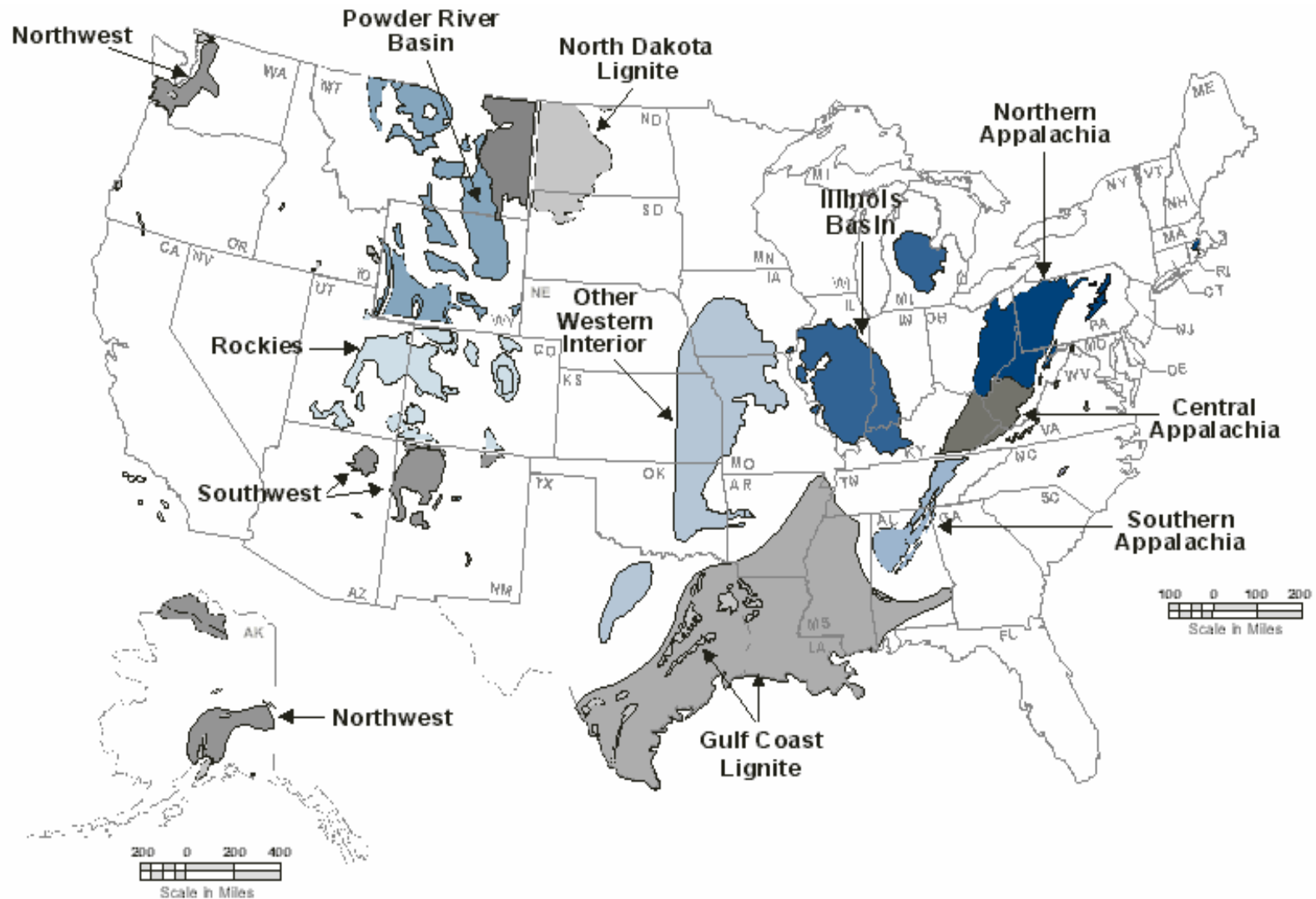


Domestic Coal Market



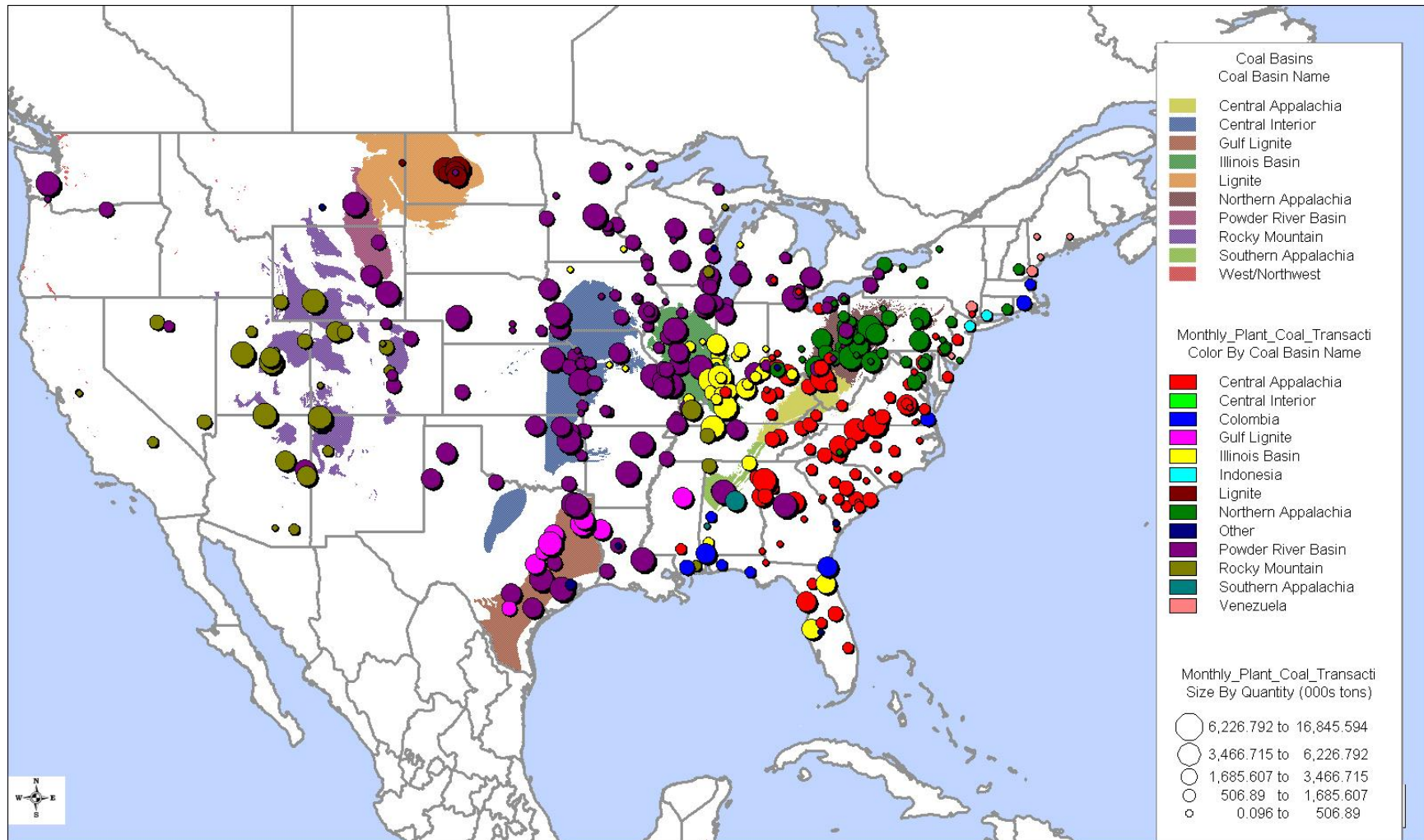


U.S. Coal Basins



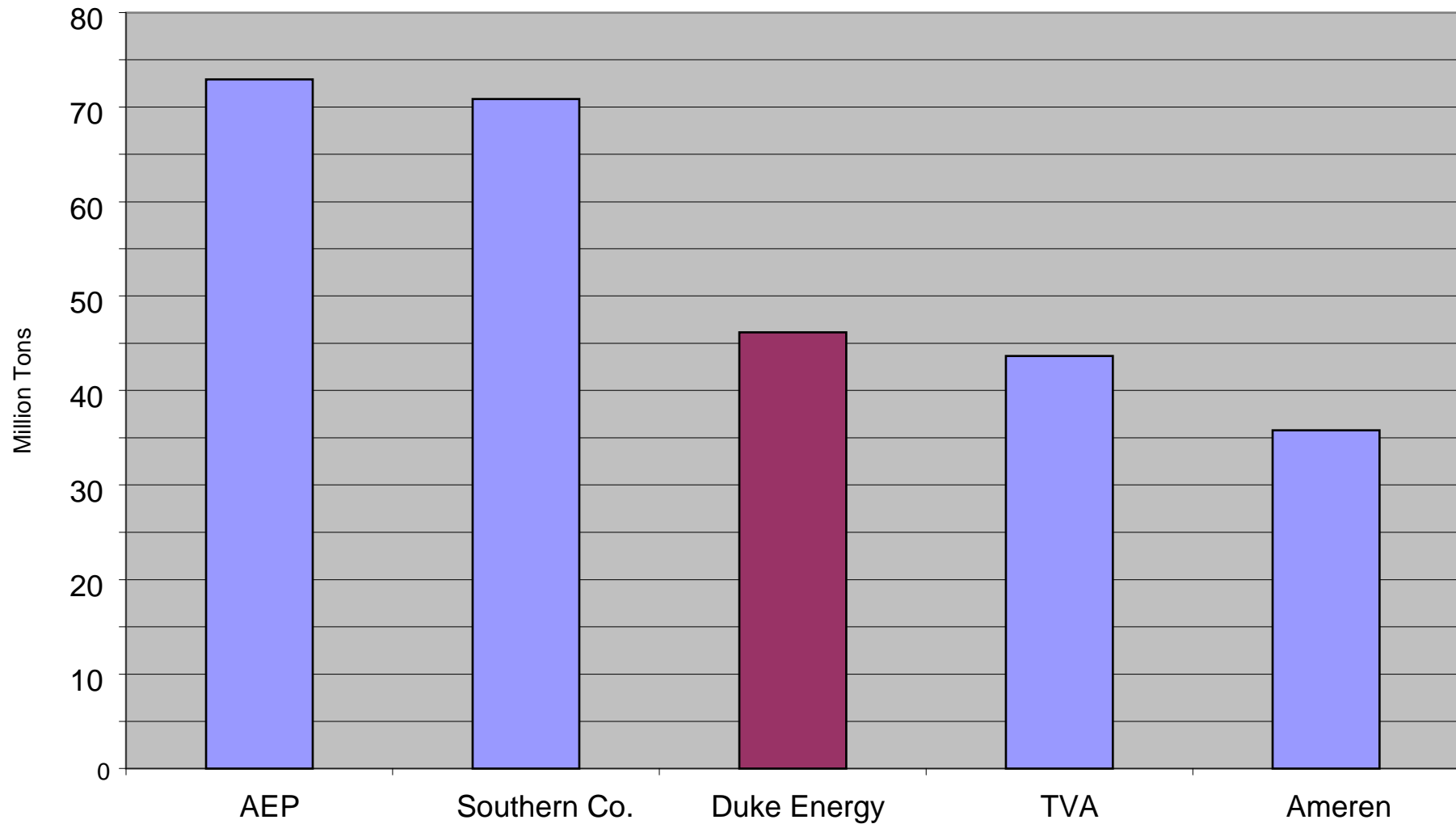


U.S. Coal Basins and Coal Usage





Top Five Domestic Coal Consumers





Coal's Importance to the Eastern Railroads

- For NS and CSX, coal movements generated approximately 30% of their revenues
 - 2007 to 2008 Change in Revenues per Carload:
 - NS – Overall = 17% increase, whereas, Coal = 29% increase
 - CSX – Overall = 17% increase, whereas, Coal = 25% increase
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Impact of Economic Downturn





2008-2009 Commodity Roller Coaster

Copper (cents/ lb)



Natural Gas (\$ / mmBTU)



Nymex Crude Oil (\$ / barrel)



Wheat (cents / bushel)



Soybean (cents / bushel)

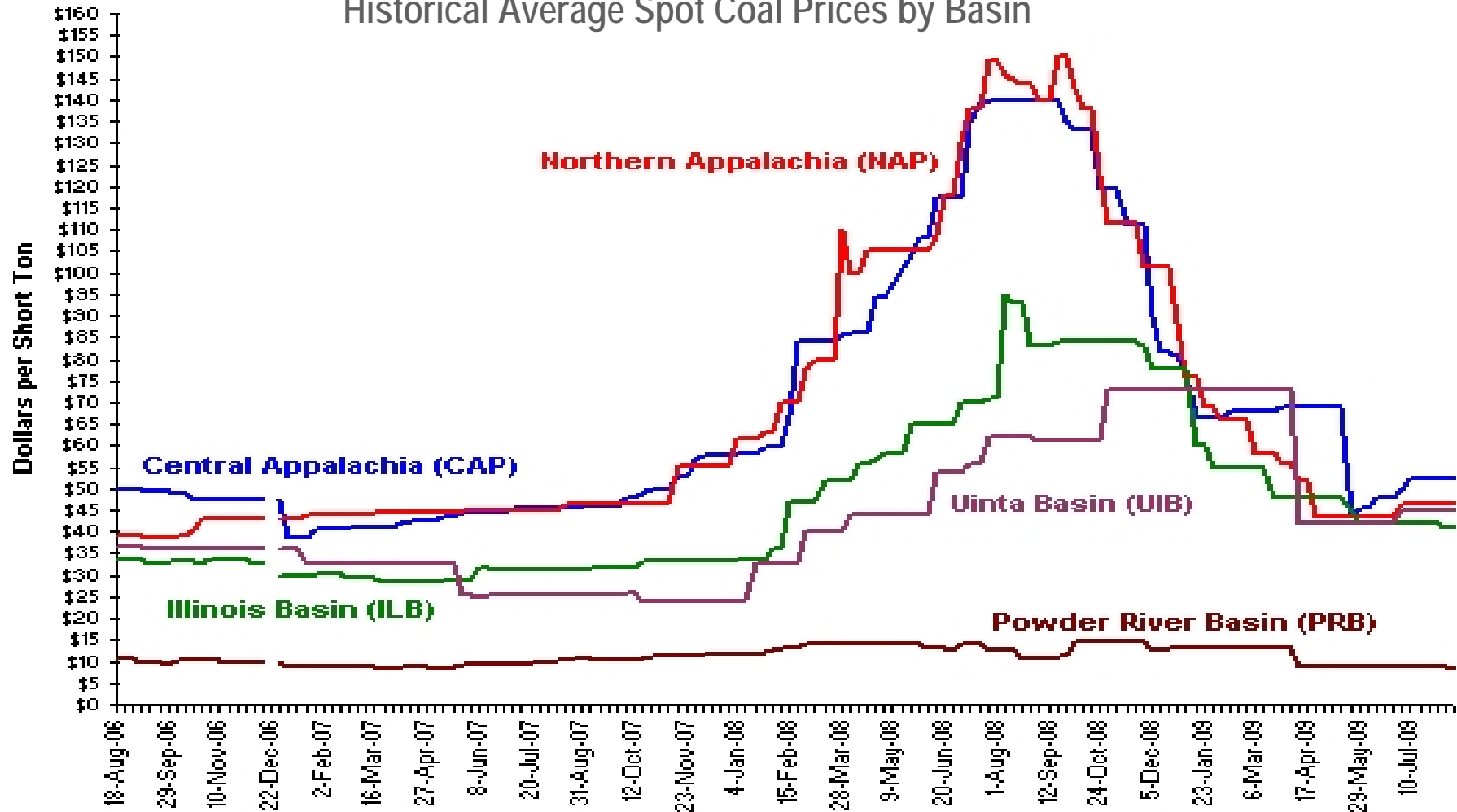


Corn (cents / bushel)





Historical Average Spot Coal Prices by Basin



Key to Coal Commodities by Region¹

<u>Central Appalachia:</u>	Big Sandy/Kanawha 12,500 Btu, 1.2 lb SO ₂ /mmBtu	<u>Powder River Basin:</u>	8,800 Btu, 0.8 lb SO ₂ /mmBtu
<u>Northern Appalachia:</u>	Pittsburgh Seam 13,000 Btu, <3.0 lb SO ₂ /mmBtu	<u>Uinta Basin in Colo.:</u>	11,700 Btu, 0.8 lb SO ₂ /mmBtu
<u>Illinois Basin:</u>	11,800 Btu, 5.0 lb SO ₂ /mmBtu		



Impacts on Electricity Generation

Comparison of First Half 2009 to First Half 2008 (MWh):

<u>Region</u>	<u>All Fuels</u>	<u>Gas</u>	<u>Coal</u>
United States	-5.1%	+2.6%	-12.8%
Southeast	-7.4%	+24.2%	-20.0%

Source: Energy Information Administration (EIA)



Current Market News

- Low gas prices allow CC gas-fired units to dispatch ahead of some coal-fired units
 - Utility stockpiles of coal have increased significantly
 - Increased delivered coal costs flow through to utility customers and compound the strain imposed by the depressed economy
 - EIA is projecting this will be first year since 2002 that U.S. annual steam coal consumption will be less than 1 billion tons
 - Current market weakness likely to yield additional consolidation
 - Loss of small and mid-size coal producers
 - Could dampen a supply response when economy recovers
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Rail Transportation – Issues

- If the economy remains depressed, one concern is the impact of further RR layoffs which could cause shipment delays
 - If the economy bounces back quickly, can the RRs respond quickly enough to meet the needs of their customers?
 - Can the RRs meet our needs for basin switching?
 - Regulatory changes (valley fill restrictions, etc)
 - Supply constraints
 - Economic viability
 - Longer haul distances and increased demand for rail capacity could strain the existing transportation infrastructure
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Rail Transportation – Challenge Areas

- What can the RRs do to reduce their cost of shipping coal (and associated transportation rates charged to customers) to help shippers sustain their businesses in the U.S. (other than laying off workers)?
 - Can the RRs increase their pace of efficiency gains through using more efficient locomotives, larger train sizes and improved logistics management?
 - An even bigger challenge -> Create open access to the national railroad track network to foster increased competition and the resulting more efficient market.
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