



Duke Energy Indiana
Presentation to Indiana Utility Regulatory Commission

SUMMER 2009 PREPAREDNESS

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May 13, 2009



OVERVIEW OF PRESENTATION

- Operational challenges/accomplishments since summer 2008
- Summer 2009 capacity and energy needs
- Steps taken to prepare for summer 2009
- Challenges for summer 2009 and beyond



OPERATIONAL CHALLENGES/ACCOMPLISHMENTS SINCE SUMMER 2008

- Three major storms
 - June 2008 flooding
 - September 2008 Hurricane Ike
 - January 2009 ice storm
- EEI Emergency Recovery Award
- Start of Ancillary Services Market – January 6, 2009
- Initiation of Clean Air Interstate Rule (CAIR)
 - January 1, 2009



Edwardsport Station – June 2008



Hurricane Ike – September 2008

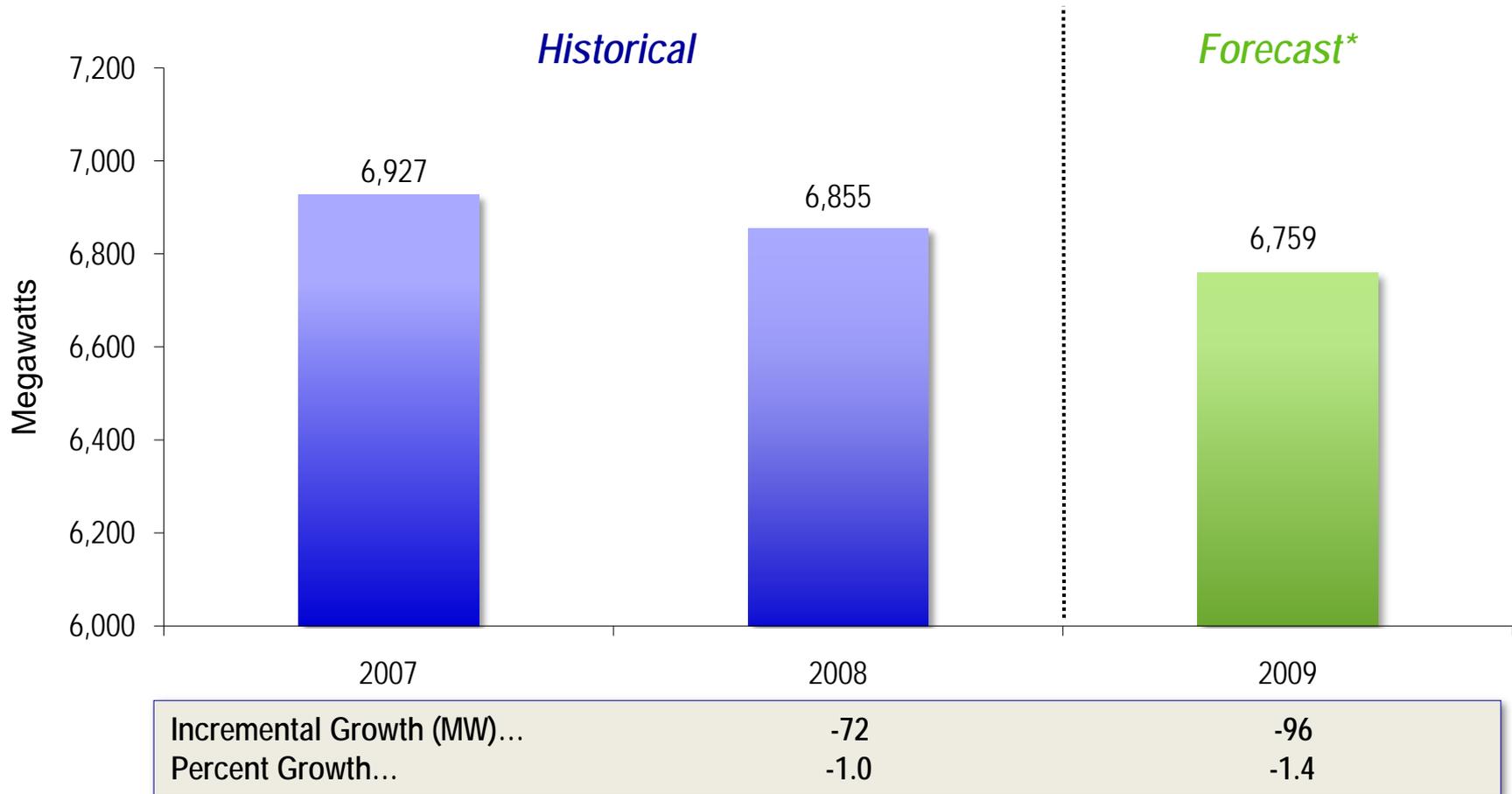


Ice Storm – January 2009



DUKE ENERGY INDIANA'S PEAK DEMAND FORECAST

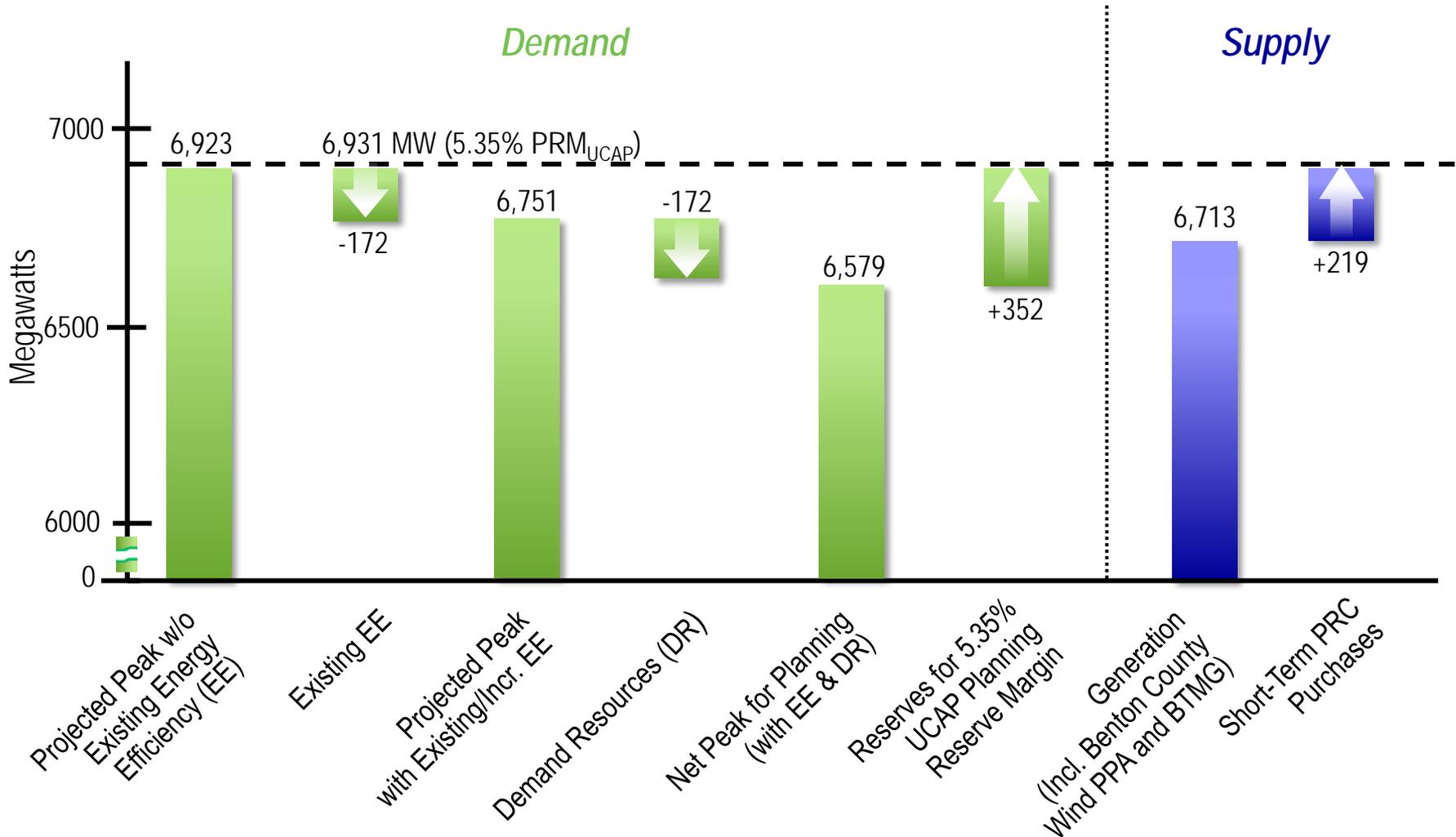
Weather Normalized Peak Load



* Using July, which is the peak load month



DUKE ENERGY INDIANA'S SUPPLY/DEMAND BALANCE FOR SUMMER 2009*



* Using August, which is the peak resource requirement month



GENERATION SYSTEM



Gibson Station

- Over 35 weeks of maintenance outages were performed this spring
- Generation/equipment availability this summer:
 - All generating units
 - Environmental compliance equipment
 - FGDs and SCRs on all Gibson units
 - FGDs on both Cayuga units
 - Baghouses on all four Gallagher units
- Duke Energy Indiana continues to focus on:
 - Summer reliability
 - A program of “availability outages”
 - System-wide and plant-wide contingency planning



PURCHASED CAPACITY AND ENERGY

- Duke Energy Indiana's current on-system reserve margin is below the Midwest ISO resource adequacy requirement of 5.35% on a UCAP basis
 - Short-term PRC purchases of 219 MW for July – August were made to comply with the requirement
- Financial swaps or financial options may also be used to hedge against wholesale market price volatility
- Duke Energy Indiana is also purchasing up to 100 MW of wind power energy from the Benton County Wind Farm under a 20-year agreement



Benton County Wind Farm



DEMAND SIDE MANAGEMENT PROGRAMS



- Between 1991 and 2009, Duke Energy Indiana demand side management programs have achieved:
 - Approximately 172 MW of annual peak demand reductions
 - Over 695,939 MWh annual energy reductions
- 2009 projected peak load management reductions in August (adjusted for losses):
 - Special contracts (e.g., interruptible): 69 MW
 - PowerShare®
 - Call (customer contractual commitment):
 - Demand Resources (DR) 68 MW
 - Behind-the-Meter Gen. (BTMG) 10 MW
 - Quote (voluntary, yet compensated): 63 MW
 - Power Manager – direct load control: 35 MW



TRANSMISSION & DISTRIBUTION SYSTEM

- \$143 M in long-term T&D investments for load growth and system enhancements
 - Tipton West 230/69 kV substation
 - Speed 138/69 kV transformer
 - Carmel 146th 69 kV capacitor
 - Wabash-Urbana 69 kV reconductor
 - North Manchester 69 kV reconductor
 - Shawswick-Pleasant Grove 138 kV reconductor
 - Fishers Bank #2 substation
 - Columbus West Bank #2 substation
 - Bloomington Rockport Road substation



Fishers Bank #2 Substation Construction – March 2009



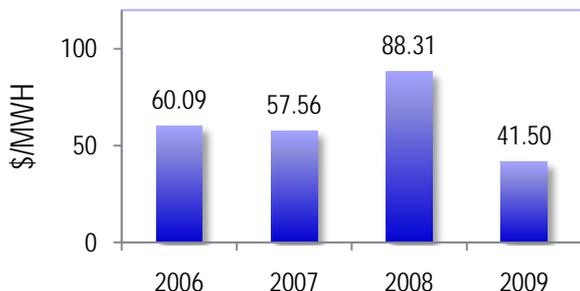
CHALLENGES FOR SUMMER 2009 AND BEYOND – OVERVIEW

- Managing commodity price volatility – market price trends
- Evolving resource adequacy requirements
- Planning for tighter and changing environmental requirements

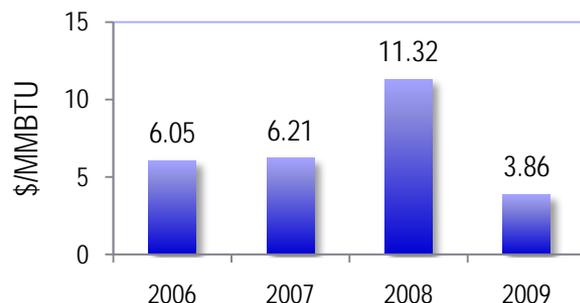


MANAGING COMMODITY PRICE VOLATILITY – SPOT MARKET PRICE TRENDS

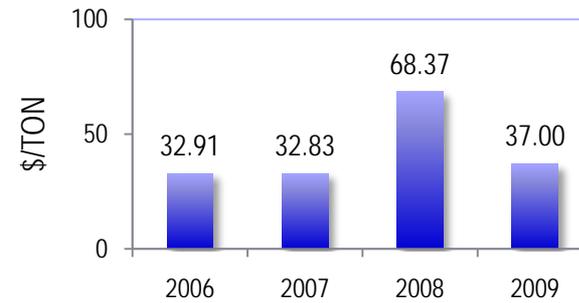
July MISO CIN Hub On-Peak Power Price



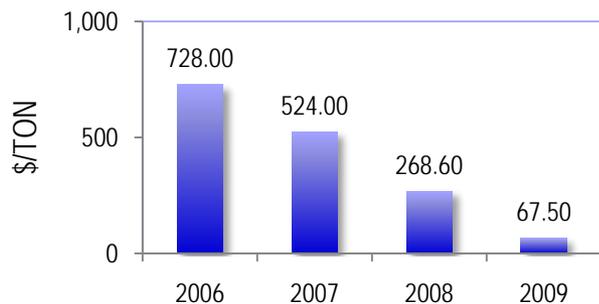
July NYMEX Henry Hub Natural Gas Price



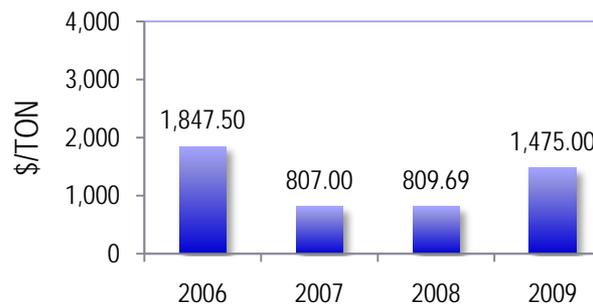
Illinois Basin High Sulfur Coal



SO₂ Allowance



NO_x Allowance (Note 2)



Notes: (1) 2009 prices are forward prices as of May 4, 2009.

(2) 2009 NO_x Price includes annual NO_x allowance price of \$1,100/ton. Annual NO_x program is a new program that started on January 1, 2009.



EVOLVING RESOURCE ADEQUACY REQUIREMENTS

- Unknown Demand Resource UCAP (unforced capacity) methodology
- After-the-fact assessment of load forecast (for potential underforecasting)
- MISO is considering whether it should perform load forecasting function



PLANNING FOR TIGHTENING AND CHANGING ENVIRONMENTAL REQUIREMENTS



Edwardsport IGCC Site – April 2009

- Clean Air Interstate Rule (CAIR) remanded to EPA to rewrite requirements
- Clean Air Mercury Rule (CAMR) overturned
- New Source Review retrial – May 2009
- Probable coal ash regulation
- Probable CO₂ emission regulations/legislation



CONCLUSION



Duke Energy Indiana is prepared with adequate resources and infrastructure to meet its customers' needs during summer 2009.