

# Can We Talk?

## Open Dialogue and Trust in Addressing Climate Change

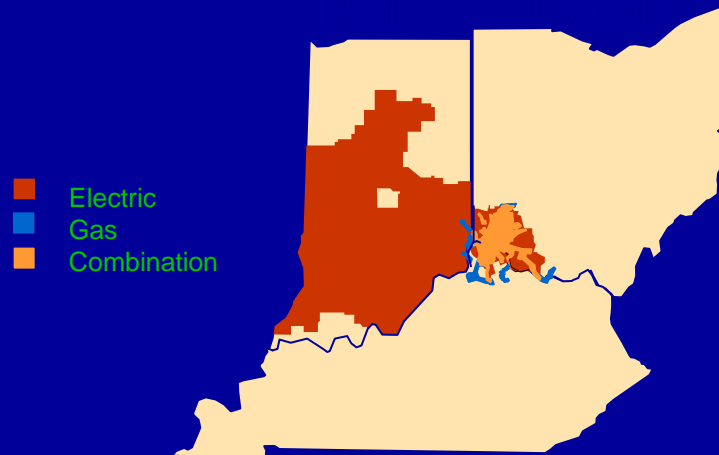
John Stowell  
Vice President  
Cinergy Corp.

# Today's Story

- Successful businesses communicate and collaborate with their stakeholders.
- Successful businesses serve their customers today, but not at the expense of the next generation.
- Successful businesses don't dodge tough problems; they lead in finding solutions.
- Cinergy is better today for having discussed its vulnerabilities and shared its vision.

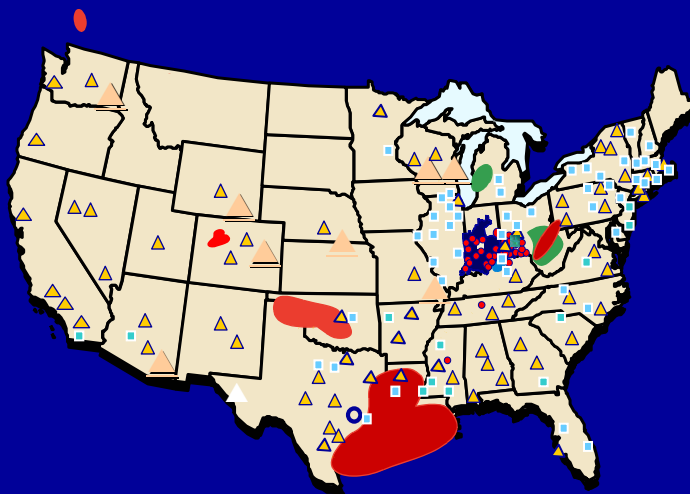
# Who is Cinergy?

## Regulated Platform



Market Capitalization	\$7.3 billion
Electric sales*	65.2 million MWh
Electric trading*	175.2 million MWh
Gas sales*	1,516,150 Mcf
Gas Trading*	58.2 Bcf/d
Generating capacity	13,331 MW
Energy Services Projects	56 projects / 5,357 MW

## Commercial Platform



### Legend

- Generation
- Supply Basins
- ▲ Wholesale Gas End-Use Customers
- Gas Storage Areas
- Gas Marketing Operations
- Energy Services

\* Preliminary 2004

# The Challenge Cinergy Faces

- Cinergy owns 32 coal-fired generation units
- Coal fuels vast majority of power we provide customers
- Cinergy consumes 30 million tons of coal per year
- 2000 CO<sub>2</sub> emissions were approximately 74 million tons
- Climate issue is but one facing coal – new SO<sub>2</sub>, NO<sub>x</sub> and mercury emissions reductions on horizon
- Coal is the fuel of choice for more than 50% of U.S. (and 80% of Midwest) power generation – economic consequences if this fuel option is lost

# Working With Our Stakeholder

- Mission Responsibility Through Investment is investment arm of the Presbyterian Church (USA), based in Louisville.
- MRTI working closely with CERES and ICCR to move the needle on climate change through the shareholder proxy process.
- Parties spurred by genuine concern for environment and frustration at lack of action in Washington.

# Development of AIRS Report

- Earliest discussions in 2003 with MRTI led to results neither found satisfactory.
- Early 2004: MRTI/Cinergy met to discuss pending shareholder resolution for '04 proxy.
- Result? Cinergy/MRTI and Ceres agreed to produce collaborative report.
- Spring 2004: Rev. Bill Somplatsky-Jarman was featured speaker at Cinergy Board dinner.

# Process

- Frequent communication among parties
- Agreement to share drafts
- "Push backs" permitted
- Consultation with third party thought leaders
- Deep Cinergy inter-departmental involvement (e.g. Legal, Tax, Treasury, Investor Relations, Gov't Affairs)
- MRTI unedited comment page
- Air Issues Report to Stakeholders (AIRS) formally endorsed by Cinergy Board committee

# Cinergy's AIRS Points

- We acknowledge that the Earth is warming and that human activity is contributing to the changes in our climate.
- We believe the federal government will regulate GHGs in the future.
- We are acting NOW to mitigate risk and assess business opportunities in a carbon-constrained world.
- The coal-centric Midwest economy can be especially vulnerable under GHG regulations.
- GHG regulation must recognize coal's importance to our economy and our national security.

# Cinergy's AIRS Points

- GHG regulation must be market-based, employing a cap and trade system
- It should incorporate an escalating price cap
- It must be flexible, allowing for least-cost options
- It should be designed to first slow the growth, then stop and finally accelerate GHGs reductions when technology is commercially available
- It should be economy-wide and not just utility-focused
- It should incentivize development of carbon-reducing technologies such as IGCC