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DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
INSURANCE AND CLAIMS DEPARTMENT
SFR Reference: Chapter II (B)(9)(e)(v)

I. Policy and Goal Setting

Departmental practices and procedures are conducted within the guidelines established by Duke Energy (the Company) corporate policies.

Goal setting is performed annually during the budgeting and incentive development processes. The Insurance and Claims budget is part of the overall Finance group budget which is approved by the Group Executive, Chief Financial Officer. Departmental objectives are also included in employee incentive targets and are evaluated annually.

II. Strategic Planning

The Insurance strategic plan is determined annually by assessing industry trends regarding the limits and coverage available in insurance markets, by benchmarking with industry peers and by examining the development of claims against the Company. Insurance coverage limits are purchased based upon current market conditions and risk assessments of the Company.

Analysis of the insurance strategy is performed during the annual renewal of insurance policies which generally takes place mid-year for major lines of insurance such as property and general liability. Significant changes to the insurance program are communicated to the Senior Vice-President & Treasurer and the Group Executive, Chief Financial Officer. An overview of the insurance program is provided to the Duke Energy Board of Directors on an annual basis.

III. Organizational Structure

The Insurance and Claims Department is led by a Director, Insurance and Claims who reports to the General Manager Global Risk Management and Insurance. The General Manager reports to the Senior Vice-President & Treasurer who reports to the Group Executive, Chief Financial Officer.

The organization chart for insurance and claims is provided in TR-1.

IV. Responsibilities

The Insurance and Claims Department is responsible for assessing insurance risks, for negotiating and renewing insurance policies for the Company, and for managing claims against the Company and against insurance carriers as described below:

Insurance

The insurance program is structured such that Duke Energy's subsidiaries (including Duke Energy Ohio) self-insure low-level losses. Duke Energy provides limited insurance above the subsidiaries self-insured retentions through its captive insurance companies. The captives then reinsure with A. M. Best "A", S&P"BBB+" or better rated insurers against losses above captives' retentions. The insurance program is designed to capture the business portfolio effect and save costs in the procurement of insurance.

Claims

The Claims department has responsibility for managing Duke Energy's risk to financial loss through claims management for all claims made against the Company. This includes establishing appropriate loss reserve levels, reviewing and adjusting loss estimates as necessary, and negotiating the settlement of claims in conjunction with the Legal Department.

V. Practices and Procedures

The Insurance group executes the placement of insurance policies, determines internal insurance premiums and processes transactions related to the insurance policies, including the payment of premiums. For transactions of the captive insurance companies, procedures have been developed within the guidelines of corporate policies for transactions such as disbursements and investments. Compliance with procedures is monitored through the review of quarterly captive insurance company financial statements and the testing of internal controls.

Claims personnel collect data regarding claims, establishes reserves, update the claims management system for changes in claims and manage the resolution of individual claims. The Claims group also handles day-to-day operations for the collection, processing, and filing of data for claims.

VI. Decision Making and Control

Decisions regarding Insurance and Claims are subject to the Duke Energy Approval of Business Transactions Policy which regulates the delegation of authority. In addition, Insurance and Claims maintains documentation of the internal controls observed in accordance with Sarbanes-Oxley requirements.

Duke Energy's captive insurance companies are governed by individual boards of directors which are comprised of Duke Energy Insurance and Tax group personnel as well as third party directors in accordance with local treasury regulations.

VII. Internal and External Communication

The Insurance and Claims Department works with an external rating agency to obtain a credit rating for Duke Energy's captive insurance company.

When a potentially significant claim is reported, the third-party insurance carrier is notified. Claims personnel then maintain ongoing periodic contact with insurance carriers as additional information becomes available.

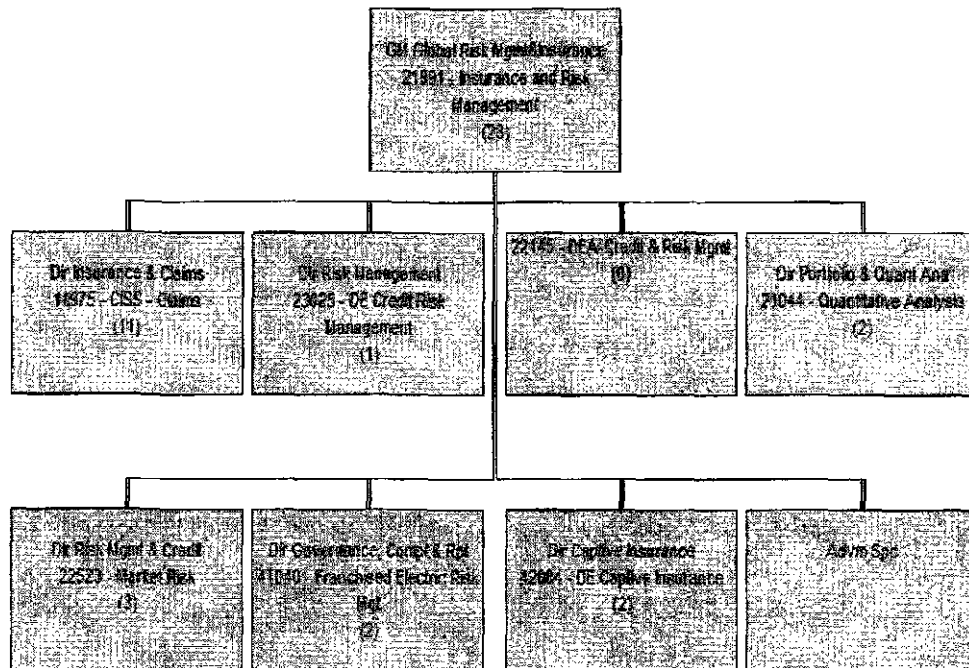
Within Duke Energy, the Insurance and Claims Department works with various groups such as Corporate Accounting and in-house legal counsel to ensure that departmental activities support the overall corporate objectives.

VIII. Goal Attainment and Qualification

The achievement of Insurance and Claims Department objectives is monitored primarily through periodic budget to actual comparisons and annual incentive evaluations. Departmental financial performance relative to budget is examined by the Insurance and Claims Group Manager at least quarterly. In addition, Insurance and Claims has incentive goals regarding the timely and accurate submission of monthly financial supporting schedules to Corporate accounting and reporting groups.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

General Manager Global Risk Management & Insurance



DUKE ENERGY
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SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
RISK MANAGEMENT

SFR Reference: Chapter II(B)(9)(b)(iv), Chapter II(B)(9)(e)(v)

I. Policy and Goal Setting

Risk Management (RM) is responsible for developing a comprehensive framework for defining, measuring, monitoring, evaluating, and communicating information about market and credit risks.

Policies are developed by RM for the respective risk-originating activity group. RM is responsible for monitoring compliance with the risk management policies, procedures, and strategies within the limits set by the Senior Vice-President & Treasurer (SVP & Treasurer) and the Group Executive, Chief Financial Officer (CFO).

RM also supports the corporate financial policies and the corporate policies embodied in the Duke Energy Code of Business Ethics, which establishes the guidelines by which Duke Energy employees are expected to conduct business.

RM's goals are defined as follows:

- Promote Transparency to avoid surprises and unexpected losses,
- Identify the sources of earnings volatility and measure potential impacts,
- Coherently articulate, measure, manage and control the risks within the organization,
- Maintain enterprise wide accountability and authority for the adequacy and appropriateness of all aspects of the company risk management process including risk policy and risk limits.

During the goal planning process, the departmental goals are established by the SVP & Treasurer and the General Manager Global Risk Management and Insurance then divided into the individual groups within RM. These goals are established taking into account the corporation's needs for monitoring, measuring and reporting the various risks that could affect the company. The goals are developed based upon the corporation's strategic direction, stakeholder needs and market expectations.

The goals of RM are intended to enhance risk management measuring, monitoring and reporting throughout the corporation. These goals extend throughout the company and are not limited to specific areas or risks. All of the RM goals are designed to advance the overall corporate goals.

II. Strategic Planning

The departmental strategic plans are developed by assessing the direction of the company versus the current capabilities and services provided by RM. RM ensures that it develops the skills necessary to assist the corporation in meeting its goals. The General Manager of Risk Management works with his/her direct reports along with the Business Unit Heads to establish the RM business plan. After the plan is developed it is presented to the SVP & Treasurer and CFO for review. The department also communicates with experts outside the company to monitor the general market direction of the industry.

Strategic objectives are established on an annual basis with reviews on a quarterly basis. These objectives may be adjusted depending on market conditions and corporate direction.

III. Organizational Structure

In order to ensure clear independence and authority, Duke Energy's Board of Directors ("Duke Energy's Board") has established a risk management function. RM reports to the SVP & Treasurer who reports to the CFO. The SVP & Treasurer provides updates directly to the Board of Director's Finance and Risk Management Committee at every board meeting.

RM is divided primarily into the following areas:

- Risk Policy Compliance,
- Market Risk Management,
- Credit Risk Management, and
- Risk Analytics.

Refer to Exhibit TR-1 for a complete organization chart of Risk Management.

IV. Responsibilities

RM is responsible for developing a comprehensive framework for defining, measuring, monitoring, evaluating, and communicating information about market, operations, and credit risks. RM develops the methodologies for measuring and evaluating risks. RM is responsible for validating the analytical tools, reports, and control processes used by management for managing the risks of the Company.

For control purposes, RM is responsible for the activities that identify, measure, monitor, and report market and credit risks across the range of regulated and unregulated business activities. Market risk is defined as the potential loss due to an adverse change in market prices. Credit risk is defined as the risk that a loss will occur if a counterparty to a transaction does not fulfill its financial obligations in a timely manner; also known as default risk.

Controls used by RM include position limits, term limits, and deal (transaction level) limits. Overall such limits restrict the organization from taking on a position that exceeds the company's risk tolerance level.

The credit function is responsible for reviewing counterparty's financials, management, and operational capacities thus, setting limits. RM sets limits based upon the credit risk policy and is responsible for reporting on the compliance with these limits to both RM and Business Unit management. Counterparty exposure takes into account the net current accounts receivable and payable balances plus the forward mark-to-market value.

RM also works closely with the Treasury group to monitor the liquidity needs for the corporation. This is accomplished by determining how much liquidity is necessary to maintain operations in the event of an adverse event such as a credit downgrade or a material change in market prices.

RM is responsible for aggregating and evaluating the risk measurement results for executive management to make risk-based investment decisions and analyses. RM oversees the development and approval of all risk policies and procedures.

V. Practices and Procedures

Area	Key Daily Activities
Risk Policy Compliance	Monitors daily compliance with the risk policies. This group is responsible for reporting any violations to the policy. In addition to the daily monitoring, the compliance group audits daily power, capacity, gas, coal, and emissions market price curves used by each of Duke Energy's subsidiaries (including Duke Energy Ohio) to ensure proper reporting.
Market Risk Management	The market risk group monitors the limits as established in the Risk Limit Policy. The policy restricts the products, commodities, term, and position limits of the transactions that can be executed by Duke Energy's subsidiaries (including Duke Energy Ohio). RM also reviews and must approve all changes to Risk Policy and Risk Limits (new commodities, new products, and changes to existing limits). The Market Risk group approves individuals to execute transactions on behalf of Duke Energy's subsidiaries (including Duke Energy Ohio).
Credit Risk Management	All extensions of credit by Duke Energy or its subsidiaries must be approved in advance by Credit Risk Management (CRM). CRM monitors the daily exposure to all counterparties against CRM approved limits. CRM reviews the credit quality of all counterparties in accordance with the Duke Energy Credit Risk Policy. CRM negotiates all credit terms

	in third parties contracts. CRM promptly reports any violations of the Duke Energy Credit Policy. CRM also handles all collateral management and reporting on liquidity adequacy for the Duke Energy organization.
Risk Analytics	Develops models used to measure risks impacting the corporation. Validates and approves all models used by Duke Energy to report financial results to its stakeholders.

VI. Decision Making and Control

The risk policies provide a framework that allows individuals to execute deals on behalf of Duke Energy and its subsidiaries (including Duke Energy Ohio). Any deviation from these stated limits must be approved in advance by the SVP & Treasurer and CFO. All risk policy violations are promptly reported to the SVP & Treasurer, General Manager Risk Management, Business Unit Head, and the department manager according to the procedures set forth in the respective policies. Penalties can range from a reprimand to termination. RM is responsible for monitoring these limits and reporting any violations.

VII. Internal and External Communications

RM works with various departments within the corporation to monitor and measure risk exposures. This information is typically transmitted via e-mail or phone conversations. From time to time, CRM communicates with Duke Energy and its subsidiaries (including Duke Energy Ohio) counterparties discussing credit related issues.

The SVP & Treasurer and RM works with various external-rating agencies to provide information as requested.

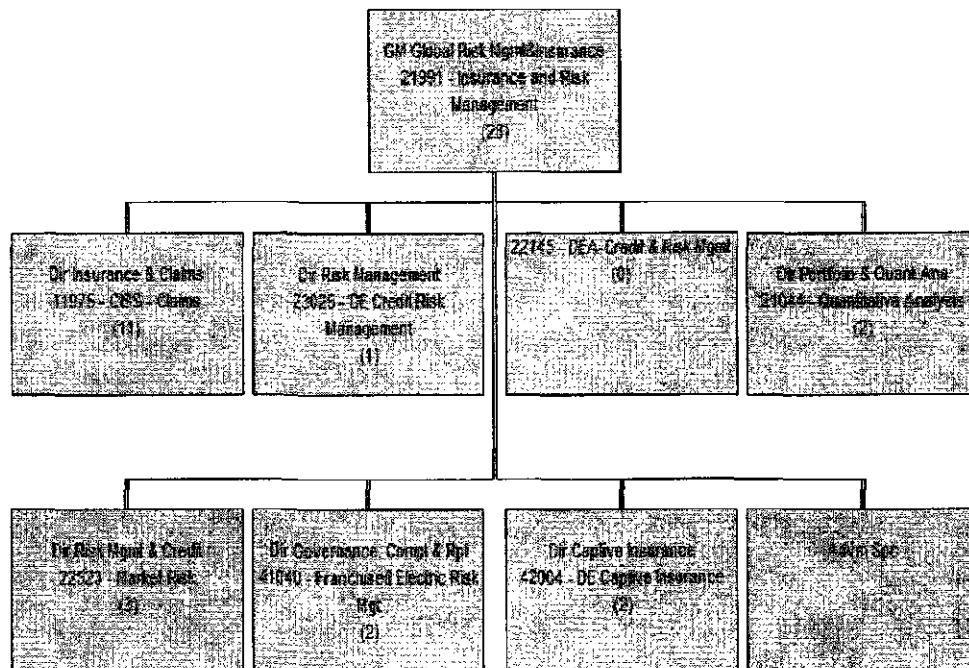
Senior members of the group may from time to time speak on their areas of expertise at industry functions.

VIII. Goal Attainment and Qualification

All goals and accomplishments are monitored on a quarterly basis between the SVP & Treasurer and her direct reports. Any deviation or modification to the goals is established at this time. Changes to the initial goals may change due to changes in company direction or market expectations.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

General Manager Global Risk Management & Insurance



DUKE ENERGY
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SUMMARY OF MANAGEMENT POLICIES, PRACTICES & ORGANIZATION
FINANCIAL REENGINEERING & FINANCE IT
SFR Reference: Chapter II(B)(9)(b)(ii,iv)

I. Policy and Goal Setting

The Financial ReEngineering & Finance IT (FRE & Finance IT) Department does not issue policy statements per se, but supports the Duke Energy Policies through directives, procedures, and practices. The annual goals and objectives of FRE & Finance IT are designed to support the achievement of the strategic and operating initiatives of the Company.

In an effort to further improve the timeliness and transparency of the Company's Finance and Accounting (F&A) information and to enable increased focus on value-added analysis, Company management launched the Financial ReEngineering Program, a major improvement initiative, in January 2005.

Accomplishing this initiative will require implementation of new systems, reworking existing tools, training staff, changing F&A related policies and processes, while coordinating efforts across all streams of work.

II. Strategic Planning

Improving the F&A processes involves close coordination with the strategic directions of the company. FRE and Finance IT has continuously maintained an overall work plan from the Program's inception, and regularly monitors actual performance against that work plan. Where necessary, FRE and Finance IT's work plan is modified based on changes in the Company's strategic directions.

Coordination of Program direction of the FRE and Finance IT organization is provided by the Chief Financial Officer and his direct reports when they meet quarterly to review Program progress and provide feedback. Additionally, the Audit Committee of the Board of Directors receives a monthly status update from and meets with the Senior Vice President, FRE and Finance IT at least bi-monthly to review progress and future plans.

III. Organizational Structure

FRE & Finance IT directly reports to the Group Executive and Chief Financial Officer. FRE & Finance IT is currently comprised of the following organizations: (1) Core Financial Processes & Platform Project; (2) Scalable Reporting Project; (3) Scalable Consolidations Project; (4) GasCo Spin Support Project (5) Finance IT; and (6) Program Management. It is a dynamic organization which changes as improvement initiatives change. A varying number of functional and technical employees have been assigned full time. These are supplemented by contractors and consultants, as necessary.

An organization chart is attached as Exhibit FA-1.

IV. Responsibilities

The organization currently includes four key projects, which will result in the tight integration of people, processes, and systems involved in F&A planning, closing, and reporting. Additionally, the organization includes two support functions. The four projects and two support functions are described as follows:

- The Core Financial Processes & Platform Project is upgrading our existing PeopleSoft application and computing platform to a more current version, while eliminating unneeded customizations in the current version and also cleaning up the Company's code block.
- The Scalable Consolidation Capabilities Project will improve the efficiency and effectiveness of the Company's consolidation and intercompany processes.
- The Scalable Reporting Project is improving the standardization of internal reporting, while providing enhanced data access to users of financial information throughout the Company.
- The GasCo Spin Support Project is enabling the separation of the systems and processes related to the recent separation of the Company's gas operations.
- The Project Management Office Organization supports the project organizations in terms of providing project reporting, budgeting, and change management services.
- The Finance IT organization maintains and supports more than one hundred F&A information systems. Finance IT also provides production support for PeopleSoft and Hyperion financial systems.

V. Practices and Procedures

Weekly control meetings are held at the project level and the program level to ensure FRE & Finance IT projects and activities are on schedule and have the necessary resources to achieve the objectives. Such meetings are conducted in order to discuss the prior week's progress, assignments for the upcoming weeks, any communication that needs to be made to other employees, and to ensure the various teams are integrating issues which may affect more than one team.

VI. Decision Making and Control

Day to day decisions regarding the conduct of team activities are the responsibility of the FRE & Finance IT management team. Key Program directional decisions are made as part of periodic review sessions with the Chief Financial Officer and his direct reports.

VII. Internal and External Communication

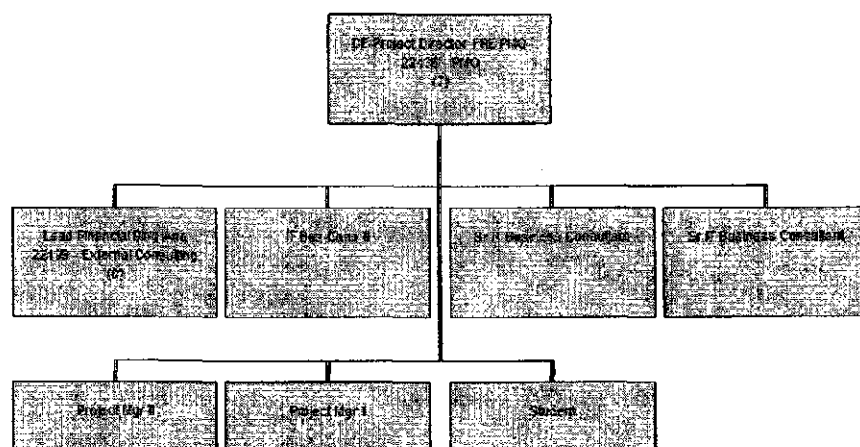
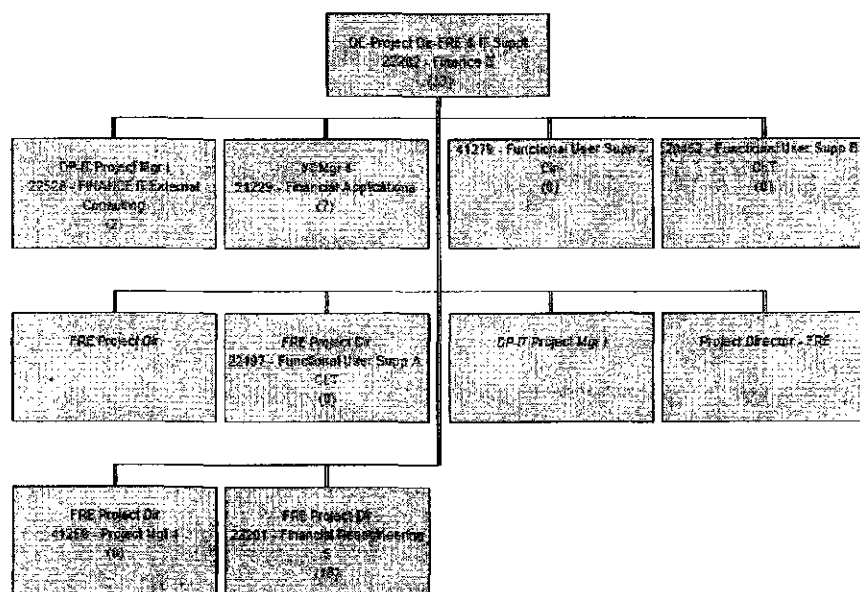
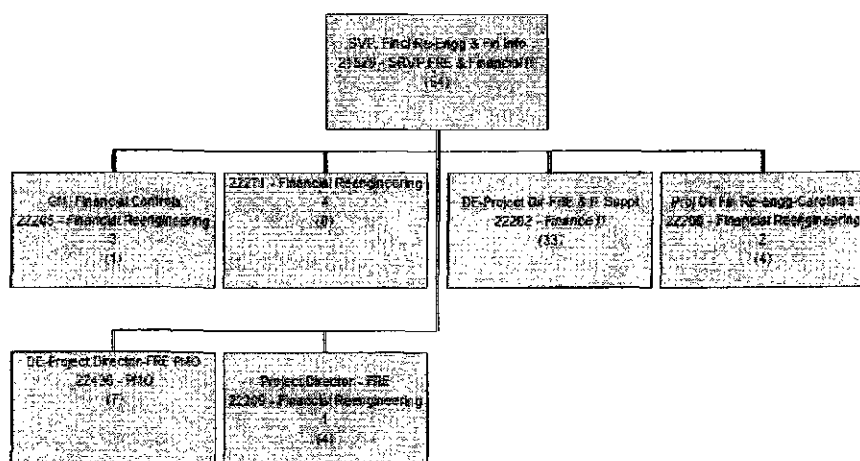
FRE & Finance IT has recurring meetings with various management constituencies throughout the Company on the progress of Program activities. Depending on the stakeholder group involved, the meetings may be bi-weekly, monthly, or quarterly.

A large part of internal communication results from daily interaction among department personnel, as well as regular, formal team meetings. Communication outside and inside the department can be in the form of telephone calls, letters, meetings, e-mails, faxes, etc. To assist in any communication outside FRE & Finance IT, Corporate Communications assists to disseminate formal communications to affected constituencies. A Finance Portal has been established to facilitate communications throughout the Finance organization.

VIII. Goal Attainment and Qualification

Performance is measured by the success of meeting specific objectives that have been set for FRE & Finance IT. Performance is evaluated quarterly so that corrective action can be taken as needed. There are five objectives: (1) supporting the achievement of Duke Energy's Earnings per Share target; (2) completing the projects either at or below the authorized budget; (3) meeting or beating the deliverable dates for key milestones established for the Financial ReEngineering Program (4) delivering quality results while balancing the cost and schedule requirements; and (5) maintaining open communications and cooperation with key stakeholders.

Senior Vice President Financial Re-engineering & Financial Information



DUKE ENERGY
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SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
TAX DEPARTMENT

SFR Reference: Chapter II (B)(9)(b)(ii), Chapter II (B)(9)(e)(vii)

I. Policy and Goal Setting

The Tax Department follows the Corporate Policies and Procedures. Each employee of the department is knowledgeable of these by having access to the company portal where the Corporate Policies and Procedures are available, as well as being made aware of these through employee orientation, discussions in company meetings and company training.

The goal setting process for the Tax Department is a joint effort between the Senior Vice President, Tax and the Group Executive, Chief Financial Officer (CFO). The objectives and annual goals of each department within Corporate Finance are designed to support the financial and administrative policies and the stated goals of Corporate Finance. Progress toward achieving the annual goals of the Tax Department is reviewed as required.

II. Strategic Planning

Senior Management has the primary responsibility for establishing the company's business plan. As mentioned in Section I, Policy and Goal Setting, the department sets general and specific goals to support the business plan established by Senior Management.

The department participates in the corporate planning process through input and suggestions given to the Senior Vice President, Tax and the Group Executive Chief Financial Officer and through corporate teams established for this purpose.

III. Organizational Structure

The Tax Department is headed by the Senior Vice President, Tax who reports to the Group Executive, Chief Financial Officer. The Tax Department is divided into six general areas, Federal Income Tax and State & Local Income Tax, Income Tax Accounting, International Tax, Property Tax, and Tax Systems, Process & Controls. All of these areas report directly to the Senior Vice President, Tax. See Exhibit TX-1. In addition, during 2006 and 2007, there is an additional function overseeing

the implementation of a special project (FIN 48), with the individual managing that effort also reporting directly to the Senior Vice President, Tax

IV. Responsibilities

It is the Tax Department's responsibility to assemble, review and prepare certain tax returns and reports for filing along with forecasting, verifying and remitting payments of such taxes. The Tax Department establishes and records all accounting entries necessary for the proper determination of tax liabilities and expenses in accordance with regulatory requirements.

Tax planning, budgeting and research are also the responsibility of this department.

The specific duties of the Tax Department are as follows:

- Prepare and file on a timely basis appropriate federal, state, and local annual, quarterly and monthly income and non-income tax returns;
- Forecast, verify, request and remit payments of taxes;
- Develop and maintain necessary work papers as supporting documentation for tax returns and computations;
- Conduct tax research, including the review of current federal, state and local tax decisions, rulings, regulations and analyses of proposed legislation to determine their effect on Company operations;
- Communicate tax research findings to appropriate levels of the organization and assist in formulating appropriate tax strategies;
- Provide Company responses to inquiries made by various taxing authorities during audit;
- Defend the Company's tax positions by filing appeals and protests, as necessary;
- Prepare tax accounting journal entries; and
- Establish and maintain proper and necessary contacts with taxing authorities and various other government agencies.

The goals of the Tax Department are established to support the Department's basic objectives, which are:

- To comply with all applicable federal, state, and local tax laws;
- To ensure filing of all returns and payments on a timely basis;
- To assure that the Company's tax accounting practices are in accordance with the respective regulatory agencies' requirements;
- To support the Company's position in regulatory initiatives;
- To participate in the development of tax legislation; and
- To provide tax assistance as may be requested by others in the company.

V. Practices and Procedures

In order for the Tax Department to meet its desired objectives, clear communication and understanding of the business units and functional areas is required.

The Tax Department's compliance deadlines are dictated by federal, state, and local statutes, which govern due dates and filing requirements for various returns and payments. The Tax Department utilizes a computerized tax calendar to assist in managing this responsibility.

Tax strategies and planning opportunities and issues are reviewed and approved at the appropriate level.

VI. Decision Making and Control

Decisions made in the Tax Department concern the proper measurement, timing and reporting of tax data in returns as well as in the books of record.

Accounting research is required as a result of changes in accounting required by the Financial Accounting Standards Board, Federal or State Regulatory Commissions, or new financial circumstances. In addition, new legislation, court decisions, and changes in regulations require tax research.

General guidance for dealing with tax law, accounting reporting requirements and rate case exhibits is identified by appropriate tax personnel and coordinated with the Senior Vice President, Tax. Detailed direction is provided by each area's leader who assigns responsibility to the appropriate staff employee. The respective leader monitors progress on the completion of the various tasks arising from the above mentioned items.

In addition to the internal reviews and controls covering tax and accounting changes, compliance related to accounting is monitored by the internal auditors, external auditors, and/or regulators. Also, compliance with tax changes is assured through periodic audits conducted by representatives of the various taxing authorities.

VII. Internal and External Communication

Periodic staff meetings are held by the Senior Vice President, Tax. These meetings provide a forum for sharing events that affect Tax operations, project report updates and for discussions involving personnel policies and practices.

The Senior Vice President, Tax attends quarterly CFO staff meetings. In addition, the Senior Vice President, Tax is a member of the Transaction Review Committee

and the Disclosure Committee, which provides the forum for the exchange of information about the Company on a broad basis. The Director of Income Tax Accounting, who is a direct report of the Senior Vice President, Tax, regularly attends meetings held by the Senior Vice President, Controller, in which specific issues regarding accounting matters impacting the Company are discussed. This information is disseminated within the leadership of the Tax Department by the Director of Tax Accounting. These meetings allow for the communication and identification of tax related issues.

Regular communication occurs among the Senior Vice President, Tax, General Managers, Directors and other employees within the Tax Department regarding the status of routine and special projects.

Regular communication also occurs with the employees in business units and corporate functional areas in order to provide assistance in tax related matters and to stay informed of business activities.

Outside contacts are made regularly, both written and orally, between Tax Department personnel and employees of the various tax agencies with which the Company files tax returns. The Senior Vice President, Tax communicates with other utilities, members of utility industry organizations, tax leaders outside the industry, and tax & legal experts in the profession on tax and accounting issues, which may impact the company.

Frequent contact is required with external auditors during their review of financial statements and regulatory reports. Occasional contacts are also made with outside legal, tax and actuarial experts, as well as state and federal regulatory agencies.

VIII. Goal Attainment and Qualification

The primary measurement for timely and accurate accomplishment of Tax Department goals is based on the following:

- All tax returns and tax payments are correct and filed on a timely basis;
- Data for financial statement closing is supplied to the Corporate Controller's Department on a timely basis;
- Data for the Annual Budget is supplied to Budgets and Forecasts Department on a timely basis; and
- Information requested by other departments is correct and timely.

Controls to measure the accuracy and timeliness of tax data and tax returns include the following:

- Tax Department monthly calendar of returns and payments due;
- Independent verification and review of returns, work papers and payment calculations; and

- On-going education and training of tax personnel.

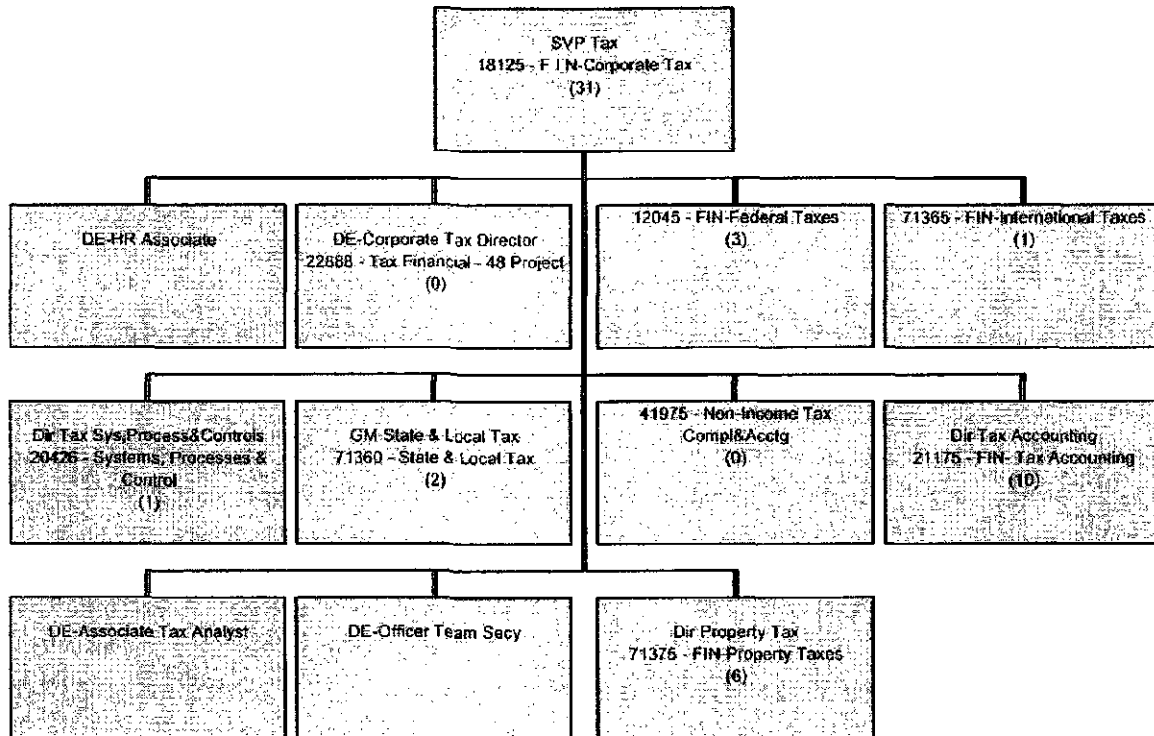
Additional assurance of the accuracy of financial statements and accounting files and reports is provided by the regular reviews conducted by internal and external auditors. Measurement of the accuracy of tax returns is provided by annual or periodic audits by agents of the various taxing agencies. Further agency review, the appeals process and court action are also available to settle differences in interpretation of the tax law.

Specific projects, studies or actions, which have been identified as key areas of focus for the Tax Department are monitored at regular intervals for progress. These are designed to meet the Tax Department's specific performance objectives. These goals have been identified in Exhibit TX-2.

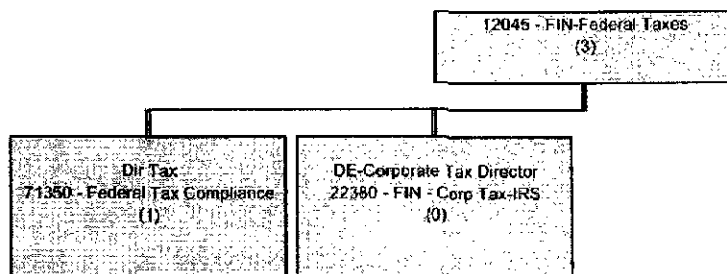
Goals for attainment, which have been identified for individual employees' are also reviewed during the annual evaluation of these employees.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

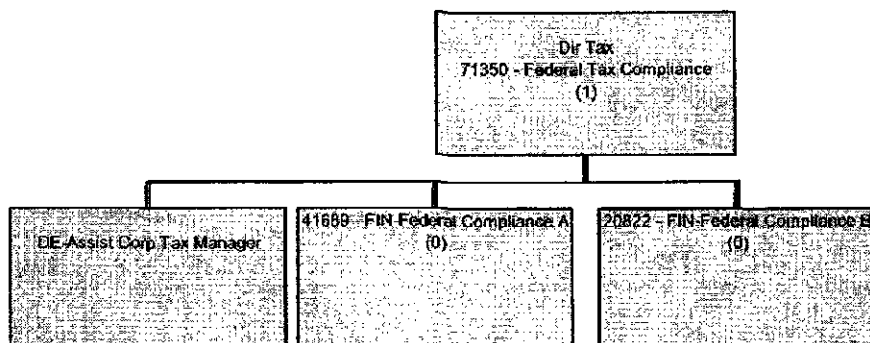
Senior Vice President Tax



Director Federal Taxes

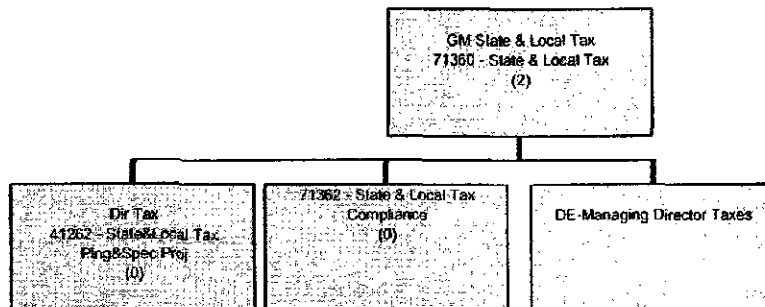


Director Federal Tax Compliance

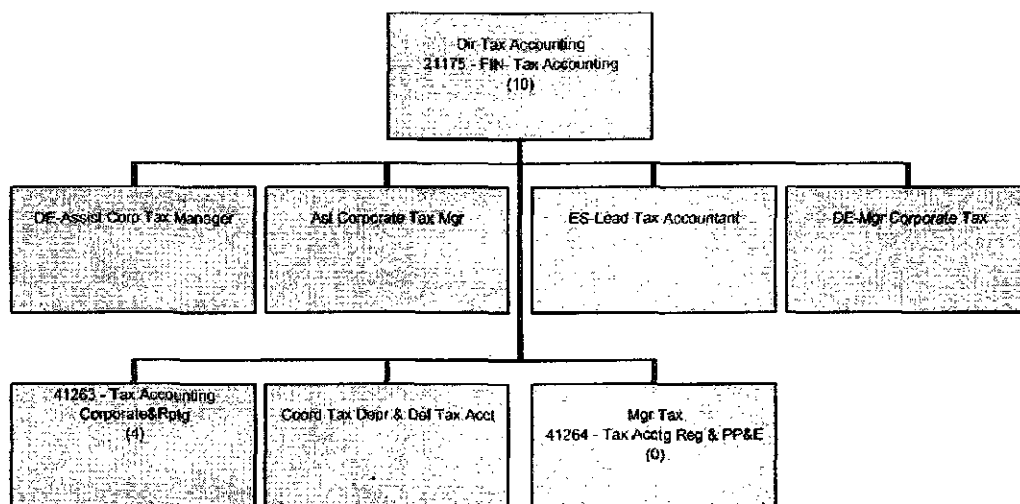


DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

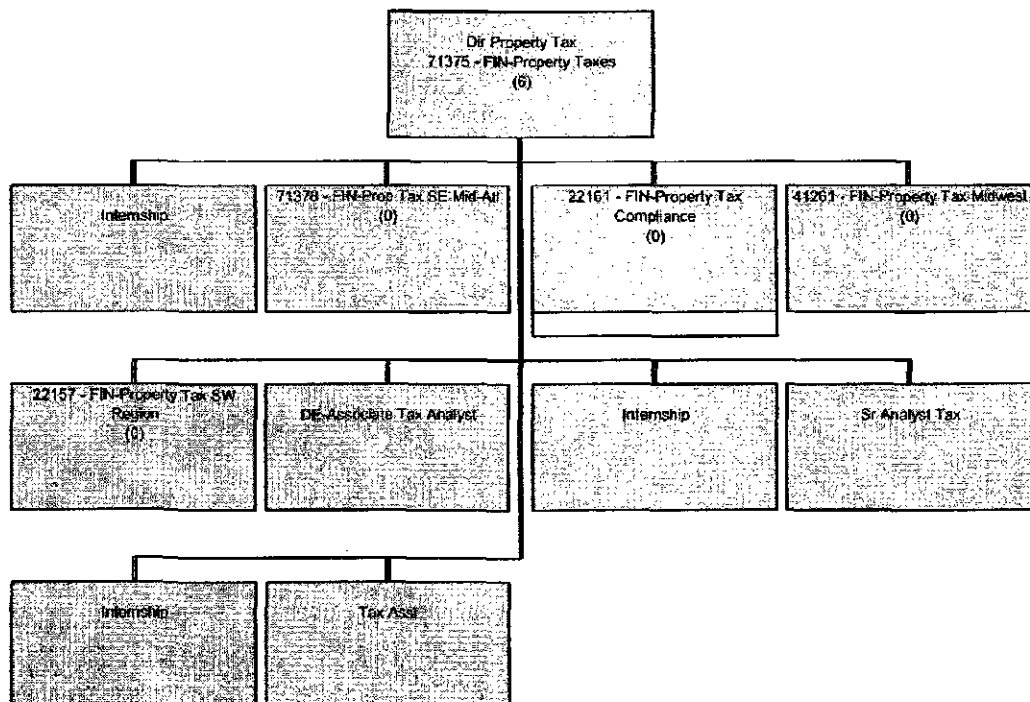
General Manager State & Local Tax



Director Tax Accounting



Director Property Tax



DUKE ENERGY
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SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
INVESTOR RELATIONS DEPARTMENT
SFR Reference: Chapter II (B)(9)(d)(v)

I. Policy and Goal Setting

The Investor Relations Department (Department) does not issue policy statements per se, but supports the corporate policies and objectives through Department directives, procedures and practices.

Investor Relations' policies, goals and objectives are designed to support the achievement of the strategic and financial initiatives of the Company. These goals and objectives are developed under the direction of the Vice President of Investor Relations and approved by the President and Chief Executive Officer and the Group Vice President and Chief Financial Officer under a dual reporting relationship.

The Investor Relations Department's goals are to:

- Communicate timely, accurate and relevant information to shareholders and the investment community;
- Build marketplace recognition and confidence in the Company as valuable equity and fixed income investment opportunities;
- Maintain a satisfied, balanced investor base; and
- Ensure appropriate disclosure compliance and shareholder services and recordkeeping compliance.

II. Strategic Planning

Departmental planning is focused on developing the specific tactics necessary to meet the Department's goals and objectives. On an annual basis, an investor relations calendar is developed with plans to host an annual conference for securities analysts, to attend a targeted number of bank-sponsored and industry conferences and to complete a certain number of one-on-one meetings with analysts and investors. Annual planning is also utilized in connection with the preparations necessary for the annual meeting of shareholders, and the distribution, solicitation and tabulation of proxies, as well as assuring compliance with rules and regulations of the Securities and Exchange Commission and New York Stock Exchange.

III. Organizational Structure

The Vice President of Investor Relations reports directly to the President and Chief Executive Officer and the Group Vice President and Chief Financial Officer of Duke Energy, under a dual reporting relationship. The Department is responsible for two key functions: investor relations' activities and shareholder services. Reporting to the Vice President of Investor Relations are three Directors of Investor Relations who primarily work with institutional investors. Two Managers of Investor Relations and Communications also report to the Vice President, with primary responsibility for shareholder services and retail shareholder communications.

An organization chart is attached as Exhibit IR-1.

IV. Responsibilities

Investor Relations, under the general direction of the Director, has general charge of all investor relations' activities and shareholder services. The Department is responsible for all communications with retail and institutional shareholders and the financial and investment community, including Wall Street analysts.

Specifically, the Department:

- Coordinates earnings releases related to the Company's financial results on a quarterly basis and provides explanations related thereto;
- Hosts an annual conference for securities analysts;
- Prepares and coordinates presentations made at bank-sponsored and industry conferences;
- Coordinates one-on-one meetings with analysts and investors and senior executives of the Company;
- Performs targeting and monitoring to assure the Company's target shareholder mix;
- Monitors trends and developments in the financial markets; and
- Responds to investor inquiries.

In addition, Investors Relations is responsible for monitoring and maintaining the relationship with outside vendors responsible for shareholder recordkeeping, stock transfer (common and preferred), dividend disbursement, and dividend reinvestment plan administration, and assists in preparations relating to the annual meeting of shareholders, including the distribution, solicitation and tabulation of proxies.

V. Practices and Procedures

The Department's activities are reviewed and approved by the Vice President of Investor Relations and the President and Chief Executive Officer and the Group Vice President and Chief Financial Officer. The appropriate members of senior management review all published information for external distribution.

Departmental personnel maintain close working relationships with nearly all areas of the organization. An internal network consisting of key members from finance, accounting, business unit operations and legal, among others, has been established to assist the Department in responding to external inquiries.

The department acts as the Company's transfer agent, to ensure that stock transfers and shareholder recordkeeping are maintained in accordance with the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange.

VI. Decision Making and Control

The Department is involved in both proactive and reactive issues and consults frequently with senior management and expert technical personnel from other departments to determine appropriate responses. Major decisions and disclosures are reviewed with senior management for input and concurrence.

Decision making and control responsibilities performed by Investor Relations include:

- Authorizing the issuance of common stock for Plan purchases; and
- Approving the calculation of common and preferred stock dividend payments to shareholders.

VII. Internal and External Communication

The Department is responsible for external communications to shareholders and the investment community. Communications are conveyed through a combination of methods, including press releases, presentations delivered at conferences, one-on-one meetings with investors, formal written communications such as the Annual Report to Shareholders, a comprehensive internet website, teleconferences, and other communications by telephone, e-mail or facsimile.

The Department holds periodic staff meetings to communicate policies and decisions of management, to discuss work assignments and work schedules, and to provide an informal forum to discuss problems, concerns, and suggestions of the employees.

Frequent informal communication lines are also maintained with other departments within the Company.

VIII. Goal Attainment and Qualification

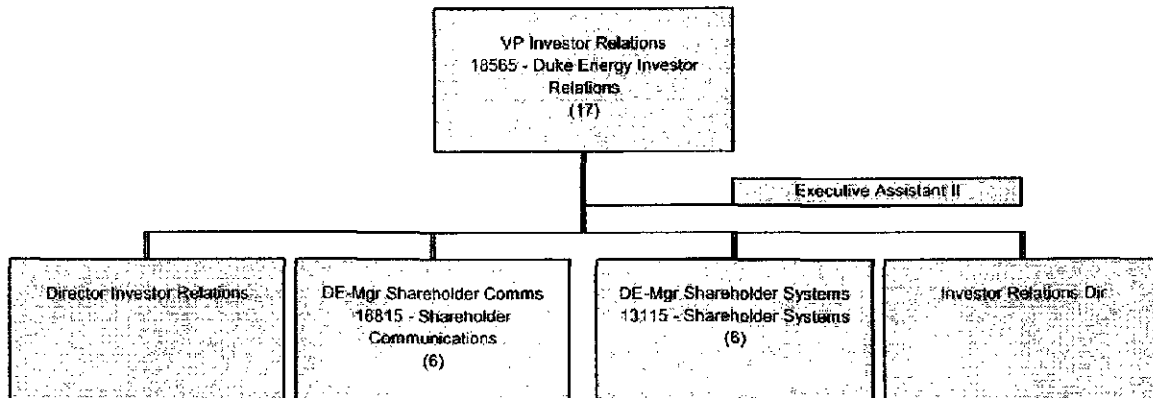
Department performance is measured by numerous factors, which include:

- Achieving the targeted number of communications, conferences and meetings with investors;
- Obtaining or maintaining our shareholder mix goals; and
- Delivering shareholder returns and realizing credit spreads that represent fair valuations of the Company's securities.

Performance in Investor Relations is also measured by the timely and accurate preparation and distribution of shareholder communications and dividend payments, and meeting the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange. Comments received from analysts and shareholders are also used as an indication of performance.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Vice President Investor Relations



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
FINANCIAL PLANNING AND ANALYSIS
SFR Reference: Chapter II(B)(9)(b)(i,iii), Chapter II(B)(9)(g)(vi)

I. Policy and Goal Setting

The financial policies of the Company are the responsibility of the Company's Group Executive, Chief Financial Officer, who is principally responsible for the development and protection of the Company's financial resources.

The Financial Planning and Analysis function supports the overall corporate financial policies and the corporate policies embodied in the Duke Energy Code of Business Ethics, which establishes the guidelines by which Duke Energy employees are expected to conduct business.

The annual goals and objectives of Financial Planning and Analysis are designed to support the achievement of Duke Energy's business plan. These goals and objectives are developed by all levels of departmental personnel and are approved by the Senior Vice-President Investor Relations & Financial Planning

II. Strategic Planning

Duke Energy's strategic direction is established by senior management. The Financial Planning and Analysis function addresses the needs of senior management generally by providing financial analyses of various strategic and financial direction options prior to decisions being made. Once a strategic direction is identified, communication and coordination among many departments occurs to produce Duke Energy's Annual Financial Plan and various updates to this plan.

III. Organizational Structure

The Financial Planning and Analysis function consists of three separate forecasting teams led by General Managers who report to the Senior Vice-President Investor Relations & Financial Planning who then reports to the Group Executive, Chief Financial Officer. The three forecasting teams are 1) Franchised Electric and Gas; Duke Energy Ohio, Kentucky and Indiana 2) Non-regulated and 3) Franchised Electric and Gas; Carolinas and Corporate.

An organizational chart is provided in Exhibit FPA-1.

IV. Responsibilities

Financial Planning and Analysis is primarily responsible for the preparation of Duke Energy's Annual Financial Plan which includes short and long-term operating and cash forecasts. It also assists Corporate Accounting in monitoring corporate budget variances and providing explanations to senior management. The forecasts are used to assist in the development of Duke Energy and its subsidiaries' (including Duke Energy Ohio) strategy for regulatory and competitive issues.

V. Practices and Procedures

The principle practices and procedures used by Financial Planning and Analysis in addition to the above responsibilities include the following:

- rating agencies presentations/support;
- regulatory planning & testimony support;
- short & long-term financial analysis;
- strategic and corporate planning support;
- short & long-term financial target setting;
- economic and financial decision-making support;
- support senior management review process.

VI. Decision Making and Control

Decision making involves applying financial and economic evaluation methods along with independent judgment to the many financial and operating issues that impact the corporation. Most decisions are made on the reasonableness of data comparing it to previous years, trend data, expected results based on analysis and forecasts of changes in the industry environment, and other operating or financial considerations.

There is not one defined criterion utilized for decision making purposes but rather criteria are driven by the issue being addressed. Department staff members have a multi-functional background and expertise he/she brings to each issue being analyzed.

Much of the decision making in the department is iterative in that results of one analysis imply another analysis is necessary to validate assumptions or conclusions. These subsequent analyses are often provided to senior management for their review process.

Assumptions and analyses are reviewed by the General Managers and the Senior Vice-President Investor Relations & Financial Planning for reasonableness and consistency in theory application.

VII. Internal and External Communication

Communication within the department is achieved through regular staff meetings, conference calls and e-mail. Types of information shared within the department include directions and/or assumptions for a particular analysis; brainstorming for problem resolution; relaying information communicated from another meeting that involves assignments; and communication of corporate direction from senior management.

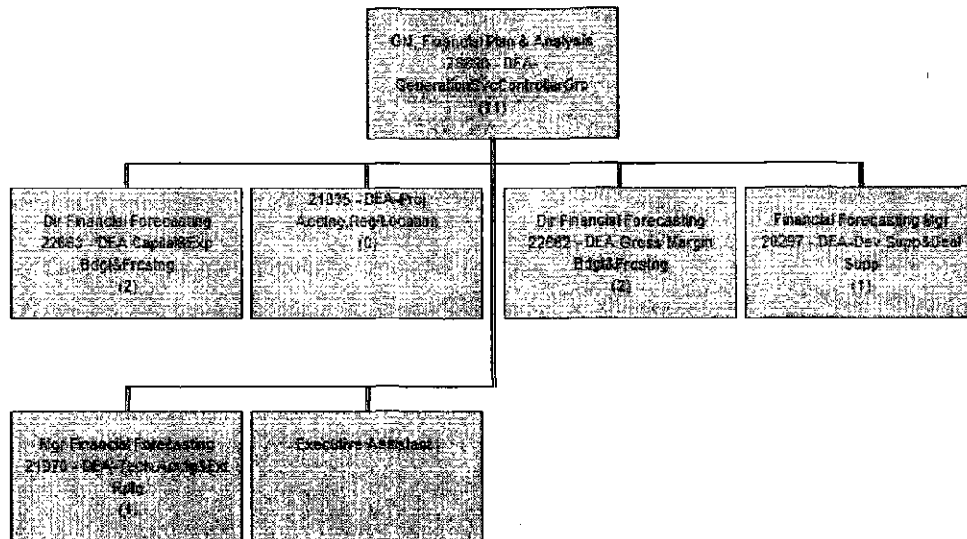
VIII. Goal Attainment and Qualification

The following are 2007 Financial Planning and Analysis goals. The goals are primarily subjective in nature and are based on quality of performance. The quantification is based on feedback from peers and project leaders.

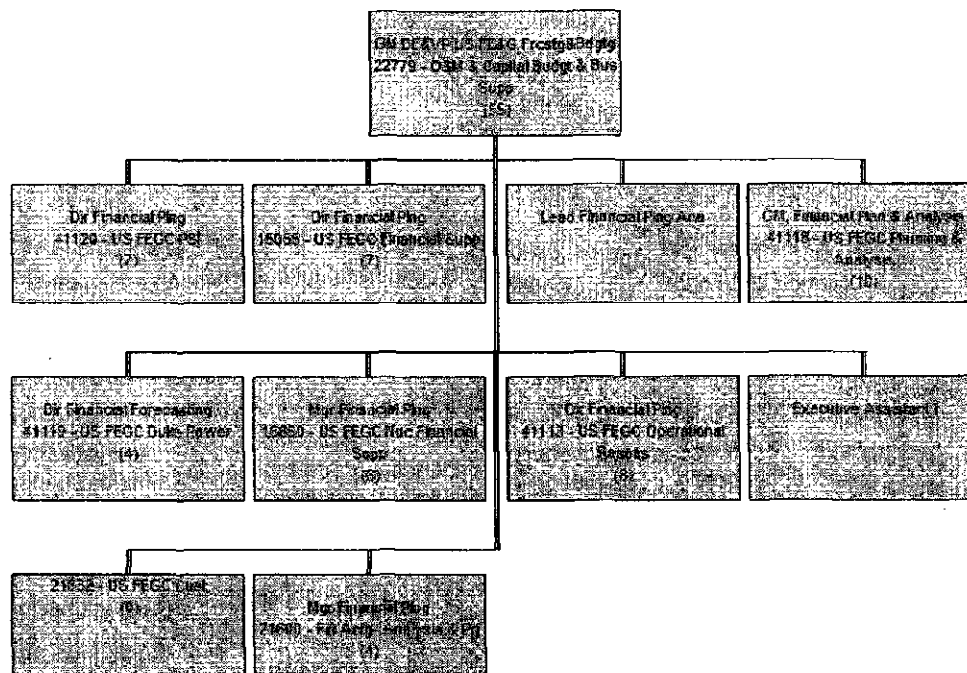
- Provide support for the regulatory processes. The timing and specific support will be defined by the respective regulatory initiative. Examples are base rate tariff adjustment filings and fuel adjustment filings.
- Provide detailed and timely quarterly updates to Duke Energy's Annual Financial Plan as defined by the Senior Vice-President Investor Relations & Financial Planning.
- Provide support to the financial re-engineering process with specific timing and objectives milestones. Examples are the forecasting tools and management reporting.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

General Manager Financial Planning & Analysis, DEA



General Manager Financial Planning & Analysis, US FE&G



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
O&M and Capital Budgeting and Business Support
SFR Reference: Chapter II(B)(9)(b)(i,ii,iii,iv)

I. Policy and Goal Setting

O&M and Capital Budgeting and Business Support communicates and provides guidance to regulated businesses and the corporate center in support of the corporate financial policies. Additionally, it supports the corporate financial policies and the corporate policies embodied in the Duke Energy Code of Business Ethics which establishes the guidelines by which Duke Energy employees are expected to conduct business.

O&M and Capital Budgeting and Business Support establish goals and objectives that directly support the goals and objectives of the Treasury function. The General Manager establishes these department goals, some of which are included as a part of the Treasury Department's incentive goals. The achievements of these goals are measured at least annually.

II. Strategic Planning

The O&M and Capital Budgeting and Business Support group supports the corporate planning process through the production of consolidated O&M and Capital Expenditure budgets for the Franchised Electric & Gas (FE&G) regulated businesses and Corporate Center functions that are then used by Duke Energy and its subsidiaries (including Duke Energy Ohio) in the preparation of Duke Energy's Annual Financial Plan.

III. Organizational Structure

The O&M and Capital Budgeting and Business Support group is managed by a General Manager Financial Planning & Analysis F&EG who reports to the Senior Vice-President Relations & Financial Planning who reports to the Group Executive, Chief Financial Officer.

An organizational chart is provided in Exhibit FPA-1

IV. Responsibilities

The O&M and Capital Budgeting and Business Support group is primarily responsible for budgeting for the FE&G regulated businesses and corporate centers, and providing financial support and analysis including O&M and capital expenditure variance explanations as compared to budget as actual expenditures occur during the business calendar year. The budgets for the corporate center and the regulated businesses become a component of the overall corporate financial forecast process in the preparation of Duke Energy's Annual Financial Plan.

The O&M and Capital Budgeting and Business Support group is responsible for a variety of activities:

- Provide corporate policy, budget assumptions and deadlines for capital and operating budgets
- Compile regulated FE&G and corporate center budgets
- Support regulatory planning & testimony process through data gathering and analysis
- Support the financial forecasting function
- Facilitate financial management reporting in a manner that satisfies information requirements;
- Participate in the development of Treasury and Finance performance measurements;
- Analyze and interpret historical and forecasted regulated FE&G and corporate center financial results;
- Act as liaison with the corporate financial organization to ensure that corporate policies and procedures are properly communicated to regulated FE&G and the corporate centers;
- Participate in the development of corporate financial tools and financial re-engineering initiatives.

V. Practices and Procedures

The day-to-day operations of the O&M and Capital Budgeting and Business Support group varies depending on the point of time within the planning cycle each year. However, many of the ongoing practices and procedures are as follows:

- Production of various management reports on a monthly basis
- Variance analysis for O&M and capital expenditures on a monthly basis
- Compilation of forecasts for support organizations ensuring accurate translation into Annual Financial Plan system templates from budgets
- Preparing budget timelines and budget presentations as requested for management

- Maintaining budget development tools
- Ongoing creation and maintenance of accounting chartfield codes
- Serving as lead or liaison with Corporate Accounting in establishing accounting for new types of revenue or expenditures
- Preparing and/or reviewing of journal entries (e.g. storm and other accruals, allocation and other correcting entries)
- Maintaining accounting data in business unit sub-systems
- Overseeing and maintaining internal departmental allocations
- Communicating new financial policies, accounting policy changes
- Consulting on development of capital project setup and approval process

VI. Decision Making and Control

The O&M and Capital Budgeting and Business Support group makes decisions necessary to meet its responsibilities as outlined above. The levels at which decisions are made within the groups and the amount of control exercised depends on the probability and potential effect of an improper decision.

For example, the O&M and Capital Budgeting and Business Support staff normally decides everyday decisions regarding the recording of normal accounting transactions (e.g. accruals) or questions regarding proper accounts for budgeting. Formats for management reports, variance analysis and procedures for development of budgets are normally recommended by the General Manager of O&M and Capital Budgeting and Business Support.

VII. Internal and External Communication

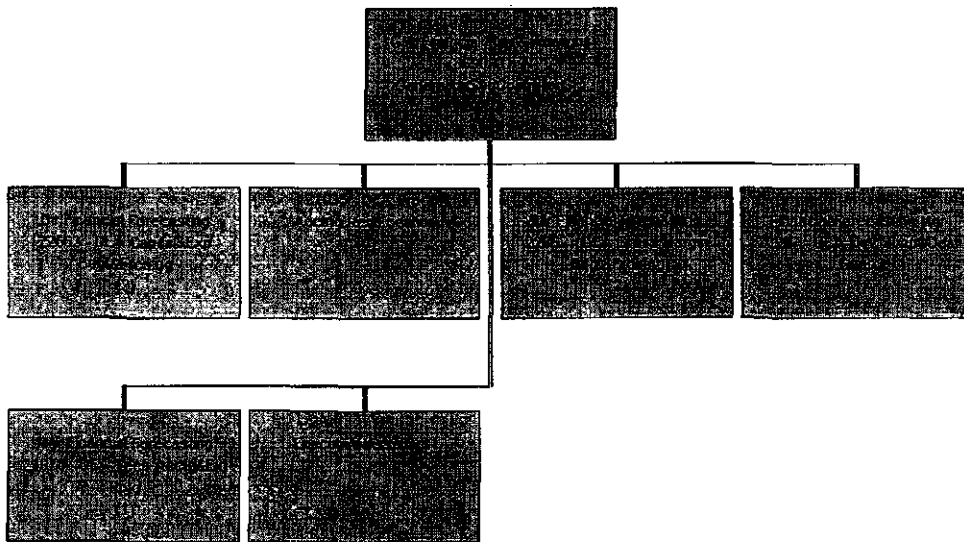
The General Manager of O&M and Capital Budgeting and Business Support attends the staff meetings held by the Senior Vice-President Investor Relations & Financial Planning. In addition, regular informational meetings are held with personnel from various financial groups and business leaders. The General Manager of O&M and Capital Budgeting and Business Support communicates information to her staff as well as financial business support representatives through periodic staff meetings or other communication methods.

VIII. Goal Attainment and Qualification

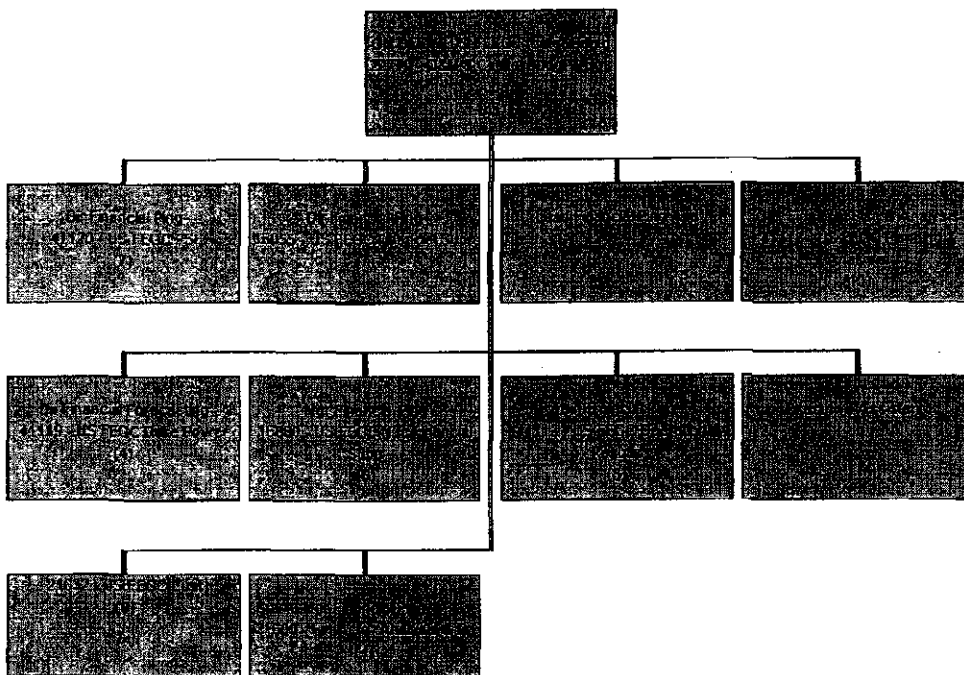
In general the O&M and Capital Budgeting and Business Support group has three types of goals. The first deals with individual achievements. Department employees establish key performance goals and are evaluated annually on the achievement of those goals. The second type of goal is tied to the performance of the Treasury function overall with a subset component related to performance of the O&M and Capital Budgeting and Business Support function. The third type of goal is a corporate earnings goal.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

General Manager Financial Planning & Analysis, DEA



General Manager Financial Planning & Analysis, US FE&G



DUKE ENERGY CORP.
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
RATES & REGULATORY ACCOUNTING DEPARTMENT
SFR Reference: Chapter II (B)(9)(c)(i,ii,iii,iv,v), Chapter II (B)(9)(g)(iv,vii)

I. Policy and Goal Setting

The Senior Vice President of the Rates & Regulatory Accounting Department has the primary responsibility for establishing department goals, which are developed in concert with the goals of the Strategy, Policy & Regulatory Activities Department. Goal achievement is the responsibility of the department's management team, which includes the Senior Vice President, Vice Presidents and directors. Department goals are developed to support the Strategy, Policy & Regulatory Activities Department's objectives as they pertain to the company's strategy and 2007 objectives that were communicated by the Duke Energy Chairman and Chief Executive Officer.

The Rates and Regulatory Accounting Department establishes the policy by which the Company's rates are implemented and administered. Corporate workplace policies, which are established by the Company's Executive Management, are communicated to each member of the Rates and Regulatory Accounting Department in the Working Environment Policy Manual and are supported by department directives, practices and procedures.

II. Strategic Planning

The Rates and Regulatory Accounting Department's goals are developed to support Duke Energy's five-year business plan. The timing and necessity of rate case filings are driven in part by the in-service date (timing) of new facilities, the erosion of regulatory earnings and changes in legislation. For this reason, the Rates and Regulatory Accounting Department participates in committee meetings with senior executives, to plan and organize regulatory initiatives. These committees are also a means to discuss and monitor ongoing processes and projects that affect the achievement of the corporate strategic goals. In addition, the Rates and Regulatory Accounting Department must address customers' needs in rate design and present rate options to best meet those needs. As an example, the Rates and Regulatory Accounting Department has received customer feedback through the Customer Market Analysis and Business Relations and Development Groups. Through the use of this feedback the Rates and Regulatory Accounting Department is able to design and propose rate options to serve the needs of customers. By monitoring and participating in the regulatory and legislative arenas, the Rates and Regulatory Accounting Department is able to be aware of current trends and address any political concerns.

III. Organizational Structure

The department consists primarily of exempt level employees with varied educational backgrounds and experience in the fields of accounting, finance, economics and engineering. The directors in the Rates and Regulatory Accounting Department report directly to the Vice Presidents of Rates and Regulatory Accounting. The Vice Presidents of Rates and Regulatory Accounting report directly to the Senior Vice President of Rates and Regulatory Accounting. The department's management team leads employees in carrying out the responsibilities associated with revenue requirements, cost of service, pricing, and the administration of various cost recovery mechanisms.

The Senior Vice President of Rates and Regulatory Accounting reports directly to the Group Executive and Chief Strategy, Policy and Regulatory Officer. The responsibilities of the Rates and Regulatory Accounting Department are divided into the jurisdictional groups, pricing, and regulatory accounting. The Vice Presidents and directors are responsible for the rate activities of the operating companies of Duke Energy Carolinas, Inc., Duke Energy Indiana, Inc., Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. An organization chart depicting the Rates and Regulatory Accounting Department is attached as Attachment RD-1.

IV. Responsibilities

The primary objective of the Rates and Regulatory Accounting Department is to assist the Company in meeting the corporate objective of earning a fair rate of return on its assets used in rendering safe and reliable gas and electric service, thereby maintaining financial health. The Rates and Regulatory Accounting Department is responsible for monitoring the rates of return on the Company's regulated operations and the regulatory issues that could impact the authorized rates of returns. To achieve its objective, the Rates and Regulatory Accounting Department prepares and timely files base rate case and cost recovery tracking mechanism applications in accordance with the standard filing requirements of the the Midwest Independent System Operator, Inc. ("MISO") and state and Federal regulatory commissions. These requirements may be either by statute or in compliance with prior commission orders. In conjunction with filing regulatory applications, responsibilities include developing cost of service studies and presenting expert testimony that supports revisions to rates and rate structures and the administration thereof. In addition, the Rates and Regulatory Accounting Department prepares applications for changes in accounting methodology either separately or in conjunction with base rate applications. In summary, the Rates and Regulatory Accounting Department fulfills its corporate responsibility by:

- Developing revenue requirements for regulated operations;
- Developing cost of service requirements and allocating costs equitably among customer classes;
- Developing rates that provide sufficient revenues to recover the full cost of providing gas and electric service; and

- Preparing required rate and accounting applications presented to regulatory commissions.

The Rates and Regulatory Accounting Department provides a variety of services crucial to the overall success of its internal customers within the Company. More specifically, the department has the following responsibilities:

- Recommend to the Group Executive and Chief Strategy, Policy and Regulatory Officer the need to adjust current rates when the objectives of those rates are not currently being met;
- Direct the preparation of rate applications and coordinate all aspects of rate proceedings in conjunction with the Legal Department before state and Federal regulatory agencies;
- Coordinate and distribute changes to gas and electric tariff schedules;
- Maintain service regulations to reflect current safety and operating requirements;
- Provide administrative and technical support to assure the accurate implementation of the commissions' rules and regulations and authorized rates;
- Develop revenue requirements, cost allocations and rates for Federal Energy Regulatory Commission wholesale and coordination agreements including support for annual changes to the Open Access Transmission Tariff of the Midwest Independent System Operator, Inc.;
- Prepare the fuel cost recovery filings and reports, including the gas cost recovery (GCR) in Ohio, coordinate the periodic management audits, and participate in the subsequent related public hearings;
- Provide regulatory reporting of emission allowance costing and inventory;
- Develop monthly billing and annual studies for the joint ownership of generation and transmission facilities for PSI;
- Participate in load management rate initiatives such as the Real Time Pricing, PowerShare®, and Economic Development;
- Develop special contract rates to meet specific customer requirements;
- Maintain open lines of communications with departments that provide for appropriate ratemaking decisions and between the Company and regulatory agencies; and
- Participate in regulatory agency rulemakings and proposed state and Federal legislation.

V. Practices and Procedures

Principal duties of the Rates and Regulatory Accounting Department are to:

- Remain informed on local and national utility pricing and regulatory issues. Evaluate their effect on the Company's business, and recommend solutions through study and association with other utility personnel, industry groups, and committees;

- Calculate, as required, new or revised rate structures, including rates, service regulations, purchased gas and electric fuel cost recovery mechanisms;
- Analyze results of operations, trends, and deviations as they pertain to or affect rate structures.

The Rates and Regulatory Accounting Department personnel utilize a wide variety of sophisticated software and personal computers, as well as the corporate mainframe system to collect data, perform economic studies and produce various reports required by regulatory agencies. These personnel generally have free access to Company records and reports necessary in carrying out their responsibilities.

VI. Decision Making and Control

Daily operational decisions are made in a participative manner by the managers of the affected areas. Decisions affecting corporate profits or establishing policies are reviewed and discussed with the Senior Vice President of Rates and Regulatory Accounting, who will obtain input from the Group Executive and Chief Strategy, Policy and Regulatory Officer when necessary.

The Vice Presidents provide weekly reports to the Senior Vice President Of Rates and Regulatory Accounting of current activities. The Senior Vice President of Rates and Regulatory Accounting participates in staff meetings held by the Group Executive and Chief Strategy, Policy and Regulatory Officer in order to discuss top management's plans and current issues within the Company.

VII. Internal and External Communication

The rate making process is an extensive ongoing process that requires open lines of communication throughout the Company. As a result, the Rates and Regulatory Accounting Department works closely with the Legal Department, the various accounting and financial departments to obtain the necessary accounting and financial data to accurately complete the various regulatory applications in a timely fashion. Information and data exchange is conducted by face-to-face meetings, e-mail, teleconferences and facsimile machines.

The Rates and Regulatory Accounting Department interacts with the Customer Service and Call Centers Department, the Revenue Cycle Services Team, and other shared services groups throughout Duke Energy to implement and convey changes in gas and electric rates, as well as other rate and regulatory policy matters. This communication is done in part through periodic meetings of the Rate Implementation Team and the monthly issuances of the Gas Cost Summary Schedule, which is sent via e-mail. Duke Energy News, as part of the Duke Energy Portal, is also a source used to communicate the results of regulatory activities to every Duke Energy employee.

An electric and gas rates web page has been developed. This web site can be accessed internally by employees through Duke Energy's intranet. Current and prospective customers can also access the web site externally through Duke Energy's Corporate Web site at www.duke-energy.com. This web page includes up-to-date rate and regulatory information for all of Duke Energy's regulated companies.

Internally, department meetings are convened weekly in order to provide a forum for open communication to all department personnel. Each team meets as needed to evaluate newly assigned projects, to plan and assign work activities, to discuss the status or results of current projects, to discuss any problems with regard to the team's assigned tasks, and to provide training to the members of the team as needs require. Communications between the Rates and Regulatory Accounting Department employees in North Carolina, Indiana and Ohio occur frequently through the use of telephone communication, fax, and e-mail. All of these tools are useful in the coordination of required efforts.

VIII. Goal Attainment Quantification

Timeliness, communication, and accuracy are important performance standards for the Rates and Regulatory Accounting Department. To best meet these performance standards, the Rates and Regulatory Accounting Department is organized to support the utility operating companies, Duke Energy Carolinas, Inc., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc. and Duke Energy Indiana, Inc. Although the Rates and Regulatory Accounting Department staff is located in Charlotte, North Carolina, Plainfield, Indiana, and in Cincinnati, Ohio, it is managed as a single team. A flexible work force enables the department management team to realign job responsibilities to meet the stated goals and objectives for each operating company. Personal computers have become an indispensable tool. The streamlining of the data collection and analysis processes has enabled the department to produce highly accurate and timely reports. As an example, the revenue requirements and cost of service studies models for the respective operating companies have been streamlined and modified for uniformity.

The standards of performance utilized to meet stated goals and objectives are established by the specific requirements of job duties and projects. For Duke Energy Ohio, Inc., GCR rates are computed according to regulatory standards and filed in a timely fashion so as to be applied to bills rendered for the first billing cycle of each month. Rate case preparation is driven by the time frame constraints established by the regulatory agencies.

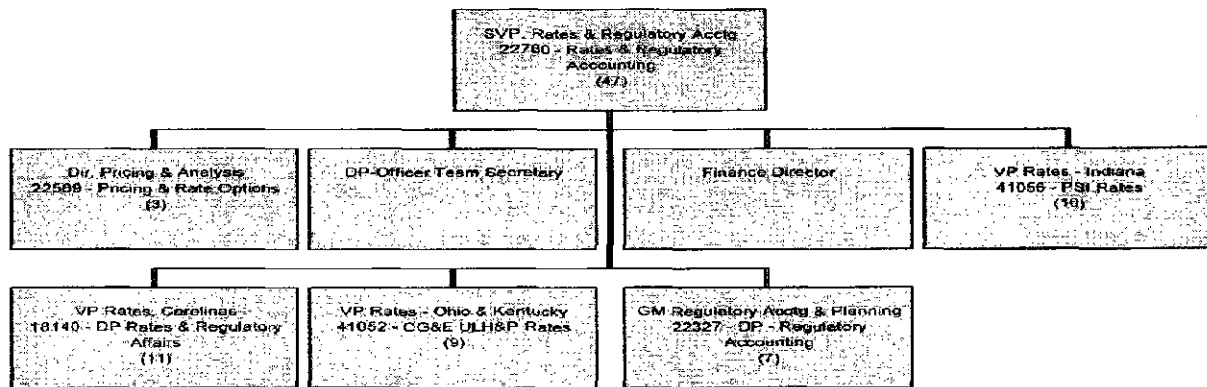
Measurements of performance are established and monitored by the team leaders. These measures include:

- Accurate completion of regulatory reporting requirements as scheduled;

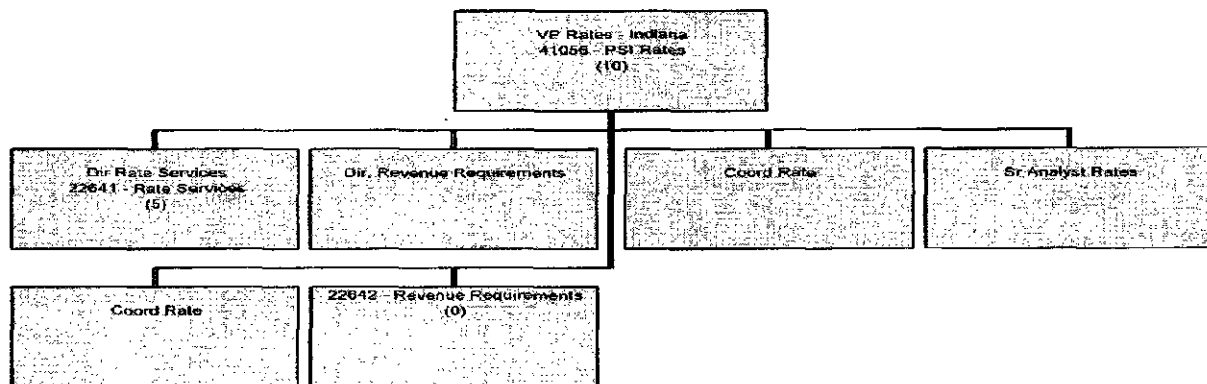
- Gas cost recovery rates computed accurately and according to regulations, and timeliness with respect to the billing system requirements;
- Accurate completion of Accelerated Gas Main Replacement Program guidelines established by The Public Utilities Commission of Ohio and the Kentucky Public Service Commission;
- Results of independent audits performed in conjunction with the GCR public hearings and the Staff Report of Investigation issued in Ohio rate proceedings;
- Typical bill comparisons, which rank the operating companies with other utilities;
- Revenue requirements and control of the rate application process are measured by the results of the rate filings. Such measurements include an analysis of whether the filings were completed in a timely manner and contain necessary data to comply with the Commission's Standard Filing Requirements. The completeness and accuracy of responses to the various intervenors' requests for information in the rate cases provide a further measure of performance. The ultimate measurement of success of this process, however, is in the Commissions' Orders and the effective balancing of ratepayer and shareholder interests; and
- Individual employee annual performance reviews are conducted to evaluate the achievement of their pre-established key performance goals.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

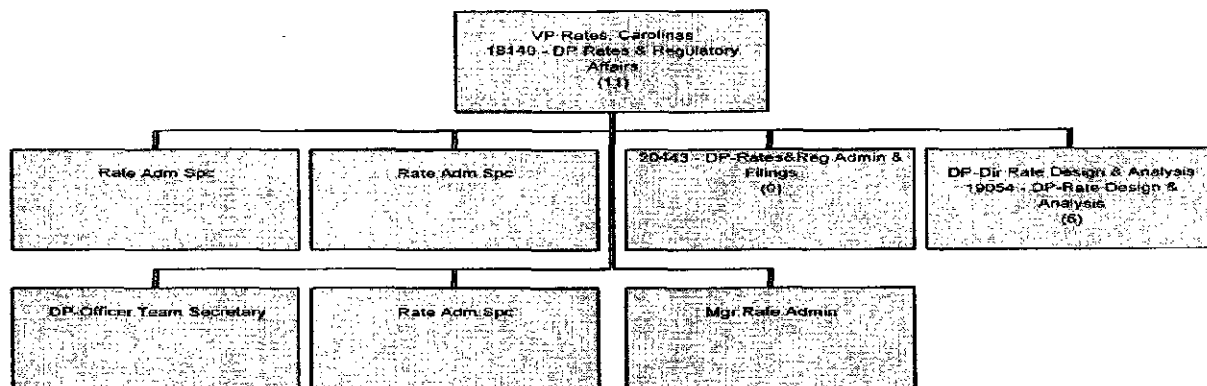
Senior Vice President Rates & Regulatory Accounting



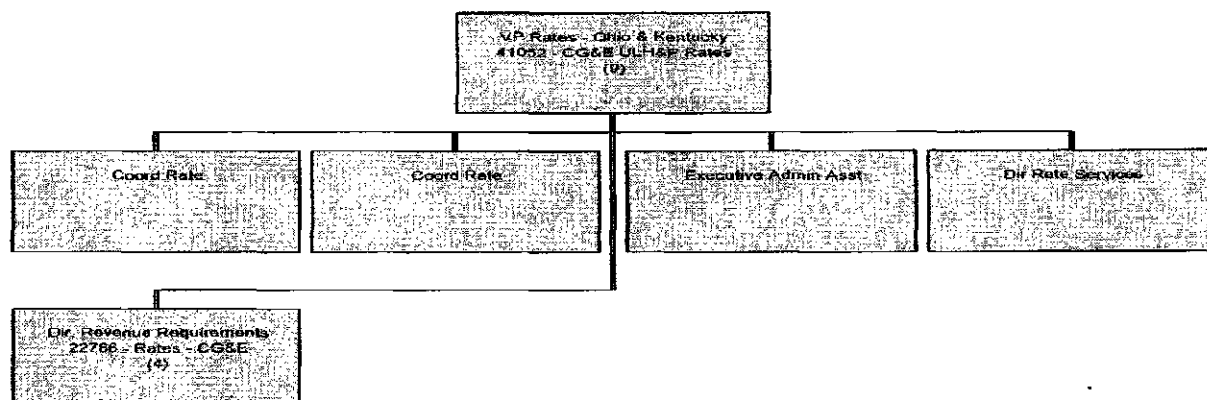
Vice President Rates, Indiana



Vice President Rates, Carolinas



Vice President Rates, Ohio & Kentucky



**Duke Energy Ohio
Cause No. 08-709-EL-AIR**

**Management Policies, Practices & Organization of
Duke Energy Corporation**

Schedule S-4.2

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DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
STRATEGY AND PLANNING

SFR Reference: Chapter II (B)(9)(a)(iv,v), Chapter II (B)(9)(d)(iv),
Chapter II (B)(9)(g)(i,ii,ii,v)

I. Policy and Goal Setting

The Strategy and Planning Department provides senior management with corporate intelligence designed to enhance organizational resilience to anticipate threats and take advantage of financial opportunities, develop robust business plans and formulate company strategy. The key functions of this group include market monitoring through the continuous tracking of changes in the industry, facilitating the development and communication of corporate strategy, coordinating business planning, and providing research and analytical support as needed for senior management.

The Strategy and Planning Department is also responsible for all aspects of long-term planning including but not limited to integrated resource planning, load forecasting, environmental compliance planning and market fundamentals. The Strategy and Planning Department supports the corporate policies stated in the Working Environment Policy Manual through department directives, practices and procedures.

The Department Executive, in consultation with his/her staff, coordinates goal setting for the group. Goals for the group reflect the financial and administrative goals established in the business plan of the Corporate Strategy and Policy Group.

II. Strategic Planning

Planning for the department is the responsibility of the Department Executive in consultation with his/her staff. Departmental planning decisions are made annually for the next five years. These planning decisions are tailored to support corporate goals.

III. Organizational Structure

The Strategy and Planning Department is under the direction of the Department Executive and is a part of the Corporate Strategy and Policy Group. There are five direct reports to the Department Executive including the heads of Corporate Strategic Initiatives, Market Fundamentals, Integrated Resource Planning, Customer Market Analytics and Strategy and Business Analytics.

The Organization chart of the Strategy and Planning Department is attached as Exhibit SP-1.

IV. Responsibilities

An important function of the Strategy Planning Department is to monitor emerging trends within the industry, assess their impact and alert the organization on emerging threats and opportunities. In addition to facilitating the development and communication of corporate strategy, the group is responsible for coordinating the strategic planning cycle and ensuring that business plans are well aligned on a corporate basis. The department also supports the company's executive team by providing research and analytical support for special projects.

The Strategy and Planning Department also has direct responsibility for the development, support and facilitation of long term planning efforts at Duke Energy. This includes responsibility for integrated resource planning, environmental compliance planning, load forecasting and projecting market fundamentals

V. Practices and Procedures

The Strategy and Planning Department monitors key changes in the industry on a continuous basis and communicates the impact of these to the executive team. The group facilitates the discussion of critical strategic issues to develop clear articulation of the company's point of view regarding these issues. Strategy and Planning facilitates the development of the company's strategy and communicates it to employees and other stakeholders through image maps and other regularly held information sessions.

VI. Decision Making and Control

The Strategy and Planning Department holds regular staff meetings to discuss issues. All important decisions are subject to the review of the Department Executive.

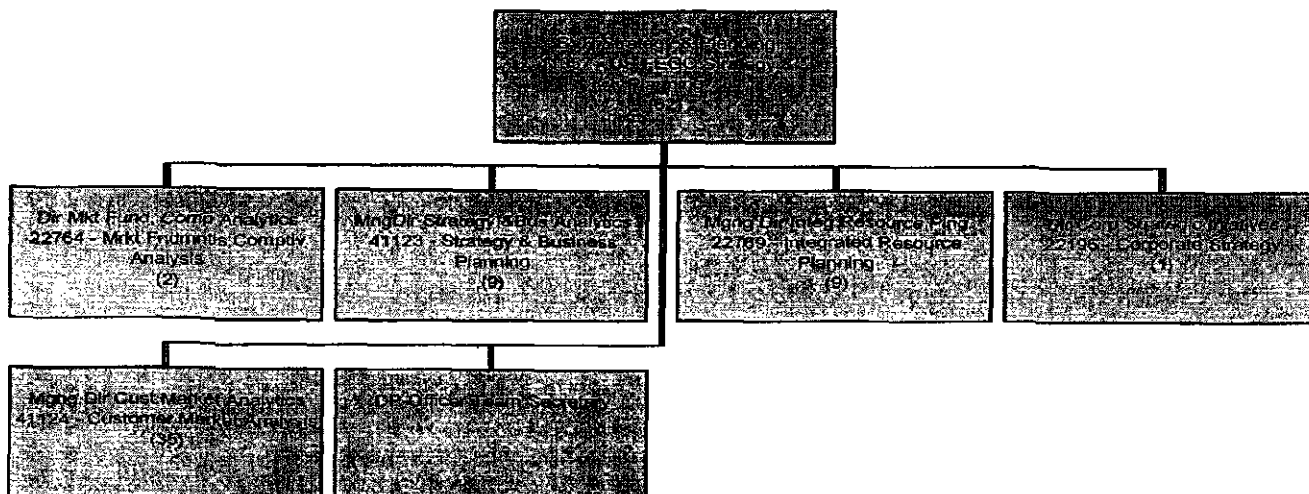
VII. Internal and External Communication

A large part of internal communication results from daily informal interaction among department personnel. This is augmented by regular meetings as well as written communications such as memos, e-mail, etc. The group communicates on a regular basis with the Business Units as well as with other Corporate center departments such as Finance, Corporate Development and Administrative Areas. External communication includes publications, conferences, personal communication and industry forums.

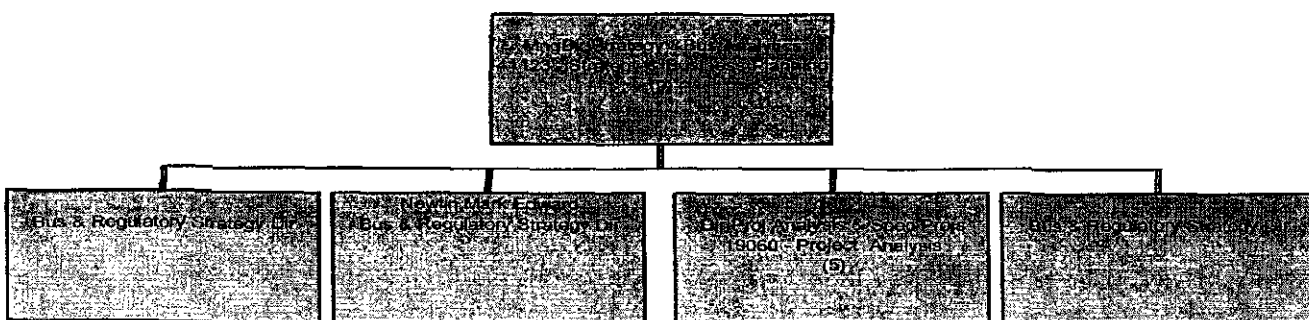
VIII. Goal Attainment and Qualification

Performance of the group is usually measured by feedback from its customers. These include members of the executive management team as well as employees from other departments that interact with the Strategy and Planning group. The group solicits feedback through surveys and direct interviews.

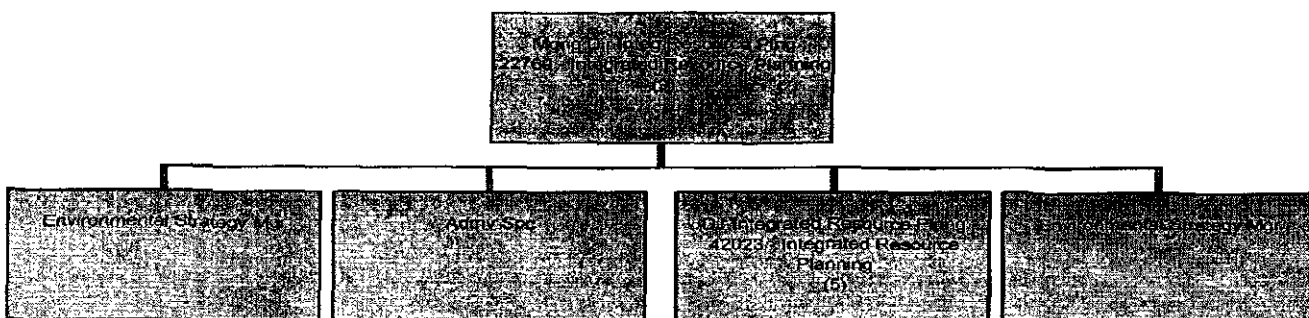
Senior Vice President Strategy & Planning



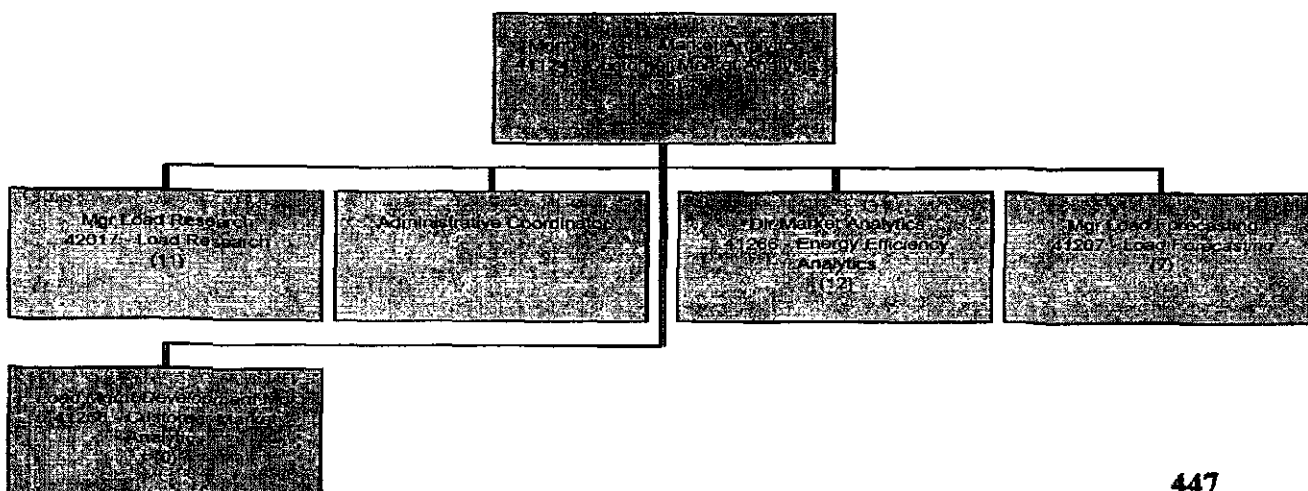
Managing Director Strategy & Business Analytics



Managing Director Integrated Resource Planning



Managing Director Customer Market Analytics



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
CHIEF TECHNOLOGY OFFICER
SFR Reference: Chapter II (B)(9)(b)(iv)

I. Policy and Goal Setting

The Chief Technology Office provides identification, development, and transfer of new technologies to improve efficiency, reduce costs, enhance operations and customer service, strengthen reliability, and provide improved services. The key functions of this group include identification, assessment, development and transfer of technologies relevant for Duke Energy's operations and businesses, as well as development of business cases for growing Duke's businesses.

The Office supports corporate policies through department directives and practices.

The Vice President and Chief Technology Officer, in consultation with departmental directors and managers, establishes goals for the group, and these goals reflect the financial and administrative goals established by the Group Executive and Chief Strategy and Policy Officer for the Strategy and Policy Group.

II. Strategic Planning

Planning for the department is the responsibility of the Vice President and Chief Technology Officer in consultation with the group's Directors and Managers. Departmental plans are established annually in the context of the multi-year nature of technology development and transfer and growth initiative implementation. Planning decisions are developed to support corporate goals.

III. Organizational Structure

The Chief Technology Office is under the direction of the Vice President and Chief Technology Officer and is a part of the corporate Strategy and Policy group. The Director—Emerging Technology, Manager—Technology Assessment and Application, Managing Director—Growth Initiatives, Director—Utility of the Future Project, and Manager—Broadband over Power Line Projects, report to the Vice President.

The Organization chart of the Chief Technology Officer is attached as Exhibit CTO-1.

IV. Responsibilities

The group monitors, assesses, develops business cases, and initiates projects for technology transfer in three broad categories: sustaining technologies, or those that enable existing operations; strategic technologies, or those that enable achievement of the company's strategic objectives; and transformative technologies, or those with the potential to significantly change operations or existing business models. In all three cases, the focus is on technologies that will increase efficiency, reduce costs, enhance customer service and satisfaction, improve operations, and provide opportunities for Duke to grow its businesses. As a part of its function, the group is responsible for the coordination of Duke's investment in research and development through the Electric Power Research Institute.

V. Practices and Procedures

The Chief Technology Office monitors technology development in areas germane to Duke Energy's businesses, identifies technologies with applicability to Duke's operations and business development, develops business cases, leads development and implementation projects, and coordinates with Duke's lines of business to transfer technologies for operational use.

VI. Decision Making and Control

The Chief Technology Office holds regular staff meetings and conducts meetings with representatives from Duke Energy's lines of business to coordinate goals and objectives, prioritize resource allocation, and insure effective development and transfer of technologies and growth initiatives. Decisions with significant impact for the firm are subject to the review of the Vice President.

VII. Internal and External Communication

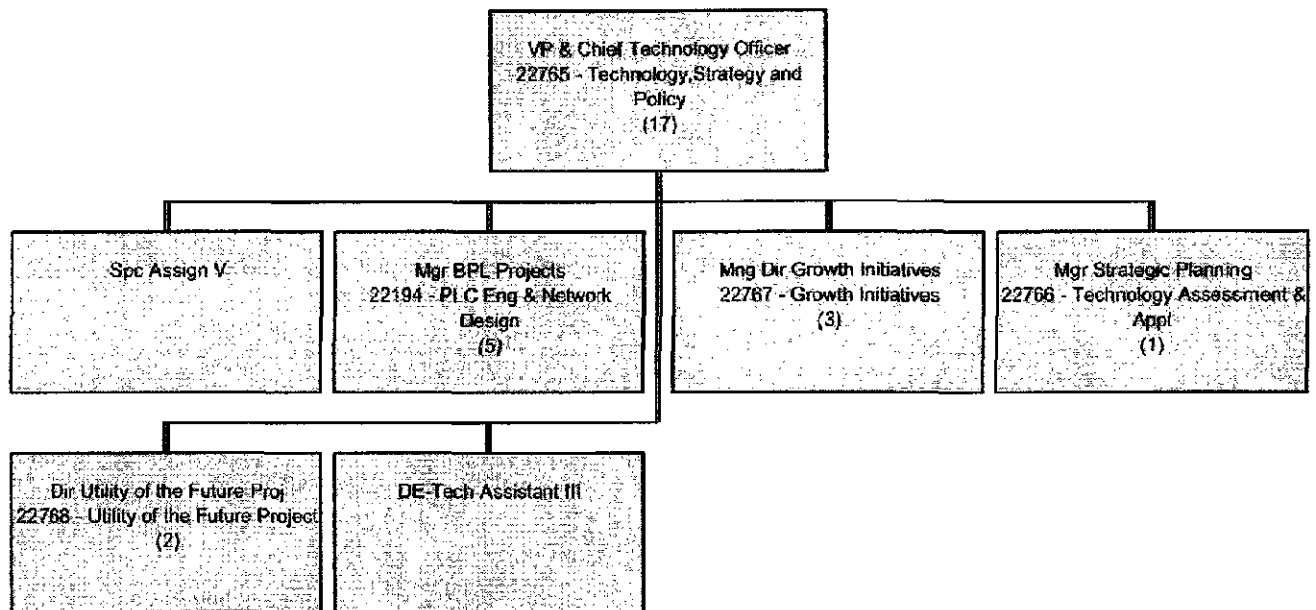
Internal communication results from daily informal interaction among the individuals in the group as well as interactions with individuals from the business units and other corporate center groups. Additionally, more formal staff meetings and issue-specific meetings are conducted as warranted. Other communications include memos, e-mail messages, and teleconferences. External communications include various publications, conferences, industry forums, meetings and conversations with technology development centers, and personal communications.

VIII. Goal Attainment and Qualification

Performance of the group is measured against specific objectives that are established annually and reviewed at least quarterly. Objectives include both qualitative and quantitative metrics demonstrating progress towards longer-term group and corporate objectives.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Vice President & Chief Technology Officer



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION
ENVIRONMENTAL, HEALTH AND SAFETY POLICY DEPARTMENT
SFR Reference: Chapter II (B)(9)(a)(i,ix,x), Chapter II (B)(9)(d)(v)

I. Policy and Goal Setting

The Environmental, Health and Safety Policy department (EHSP) has a broad scope of goals, based on the changing regulatory and competitive landscape in which the Company operates. The department's strategic goals primarily support public environmental policy analysis and development:

- Identify and analyze key environmental issues that affect the *Company's value and liability*;
- Reduce cost and corporate risk related to adverse environmental policies and identify preferred alternative approaches;
- Promote corporate reputation for environmental stewardship;
- Enhance corporate positions through pro-active policy development and strategic communications;
- Assist other departments in expediting cost-effective capital project construction; and
- Ensure access to federal and other officials.

The annual goals and objectives of EHSP are designed to support achievement of the strategic and operational initiatives of the Company. These goals and objectives are developed by all departmental personnel and are approved by the Vice President of EHSP.

II. Strategic Planning

Strategic planning in the department is accomplished through the corporate business plan, which is updated at least annually, but more often as needs dictate. As much of the department's focus is on analysis of changing laws and regulations, EHSP attempts to forecast the legislative and regulatory climate as part of its planning process.

III. Operational Structure

The department is composed of the Vice President, EHSP and the following positions: Managing Director of Climate Policy and Economic Development, Director of Engineering Technology and Fuel Policy, Director of Alternative Energy, Director of EH&S National Stewardship Strategy, Director of EH&S

Integration and Communications and two Directors of Environmental Policy and Strategy. The department is supported by one Administrative Coordinator. The Vice President reports to the Group Vice President and Chief Strategy and Policy officer who, in turn, reports to the Chief Executive Officer.

The organizational chart for EHSP is attached as exhibit EHSP-1.

IV. Responsibilities

EHSP, under the general direction of the Vice President, provides various services to the Company.

The department provides analysis and advocacy on environmental public policy issues and related energy policy issues that affect the Company's operations. Current areas of focus include proposals affecting overall energy policy, climate change, renewable energy policy and power plant emissions and disclosure policies.

The department's environmental policy focus encompasses a number of specific areas. Climate Policy and Economic Development is responsible for proactively developing policy on climate change, working with various internal and external stakeholders. Overall responsibility for quantifying financial and economic impacts of climate change public policy also lies with this function. Alternative Energy and Efficiency is responsible for coordinating development of corporate policies on renewable energy, assessing the feasibility of increasing the Company's renewable generation resources and for analyzing potential impacts of state and federal renewable energy policies. Environmental Technology and Fuel Policy researches and advocates new technologies for potentially reducing the Company's greenhouse gas emissions. Natural Stewardship Strategy manages the Company's outreach to national non-governmental environmental organizations and the Company's support of national stewardship activities. Integration and Communication is responsible for ensuring that department activities are properly aligned with other Company initiatives and communicated internally. Environmental Policy and Strategy Analysis provides technical analysis and support data to help ensure the impacts of public policy proposals are properly quantified.

V. Practices and Procedures

As a matter of daily business, the department is continuously analyzing various legislative and regulatory proposals for their impacts on Company policies and practices, particularly those with environmental implications. This can include financial analysis, engineering and logistical feasibility, community and other stakeholder impacts, public relations and political implications, etc. Various individuals in the department specifically work with other departments on policy development activities.

VI. Decision Making and Control

Day-to-day decision making within the department is generally delegated to the staff, with major decisions rolling up to the Vice President. Legal counsel is consulted on an as-needed basis. In addition to staff meetings, informal discussions are held frequently with all employees.

The level at which decisions are made and the amount of control exercised depends on the potential effect of the decision. All employees are apprised of their responsibilities and authority and are expected to make decisions within the parameters of that authority and report their results to the Vice President, as appropriate.

VII. Internal and External Communication

The department holds regular staff meetings, usually on a weekly basis, under the direction of the Vice President. The purpose of these staff meetings are to communicate policies and decisions of management, to discuss work assignments and issues, and to provide an informal forum to discuss problems, suggestions and concerns of the staff.

Daily interaction is maintained between the Vice President and the staff. Frequent formal and informal lines of communication are also maintained with other departments within the Company. For example, the department holds quarterly meetings with representatives of other departments involved with environmental policy, compliance and communications on the local, state and federal level. The department also holds off-site retreats, usually annually, but more frequently if needed, to address various administrative needs, enhance creativity and productivity, and generally foster a positive working environment.

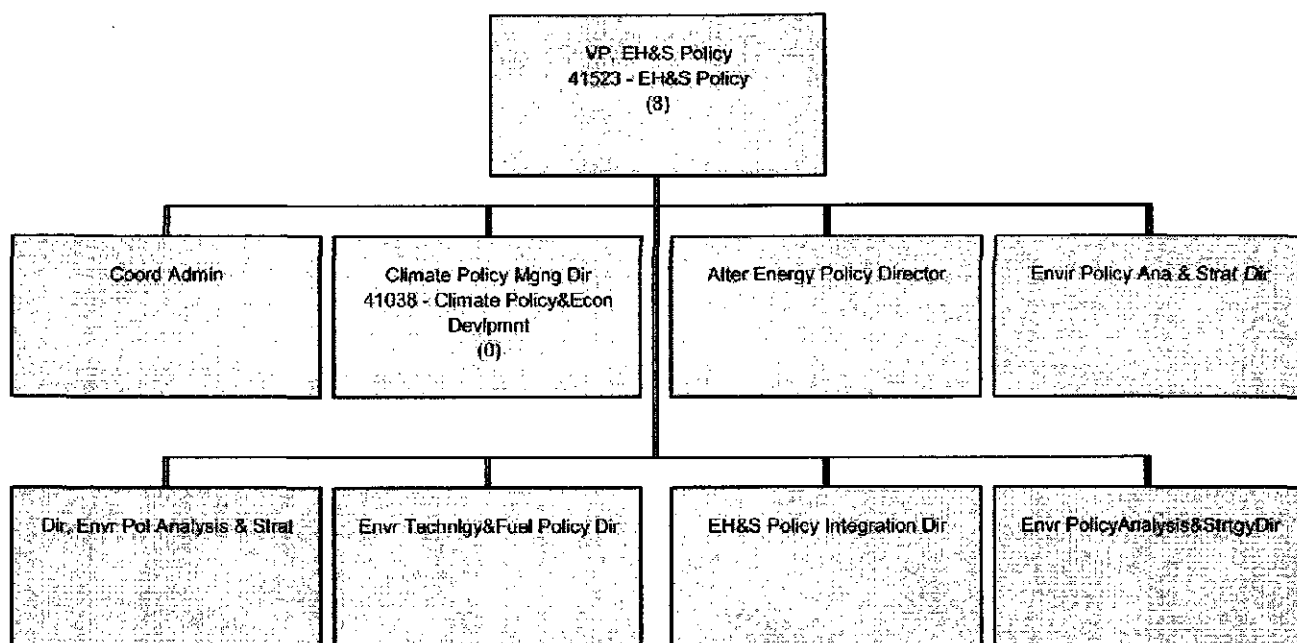
For all employees, internal communication is encouraged with those departments that are affected by the various legislative and regulatory policies and proposals that are being analyzed. Teams are employed as needed to facilitate inter-departmental communication. Most activities of the department will affect more than one other department, so communication with the appropriate parties in an appropriate timeframe is essential.

External communications focus on federal Administration officials and their respective staffs, various trade associations of which the Company is a member, national environmental groups; investment groups which advocate for environmental responsibility; elected officials, when appropriate and in coordination with federal and state legislative affairs personnel; local communities and other stakeholders including political parties and organizations, environmental scientists, other utilities, technology vendors, etc.

VIII. Goal Attainment and Qualification

Staff performance is measured on an individual basis through annual performance reviews. Much of the department's mission is subjective and difficult to measure in absolute numbers, therefore employee goals tend to emphasize completion of tasks at various levels as well as attainment of key strategic objectives. The department also obtains feedback from internal customers about their satisfaction with any assistance the department provided on projects or activities.

Vice President Environmental Health & Safety Policy



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
ENERGY EFFICIENCY

SFR Reference: Chapter II (B)(9)(a)(iv,v,ix), Chapter II (B)(9)(d)(iii)

I. Policy and Goal Setting

The Energy Efficiency Department provides products and services to customers which help them manage their total energy costs by encouraging changes in energy usage behaviors, using energy more efficiently, and providing information on energy choices. This group is responsible for creating strategic plans by customer group that address energy efficiency needs as well as other product and services. One of the key functions of this group is continuous monitoring of customer satisfaction primarily through surveys, which allow us to develop and implement products and services to increase customer satisfaction, reduce costs, and/or promote energy efficiency.

The Energy Efficiency Department supports the corporate policies stated in the Working Environment Policy Manual through department directives, practices and procedures.

The Department Vice President, in consultation with direct reports, coordinates goal setting for the group. Goals for the group reflect the financial and administrative goals established in the business plan of Corporate Strategy & Planning.

II. Strategic Planning

Planning for the department is the responsibility of the Department Vice President in consultation with his direct reports (Directors). Departmental planning decisions are made annually for the next five years. These planning decisions are tailored to support corporate goals.

III. Organizational Structure

The Energy Efficiency Department is under the direction of the Department VP and is a part of the Corporate Strategy & Policy group. Several people report to the VP and include; The Director of Energy Efficiency Policy & Collaboration, Director of Products and Services, Director of Mass Market Customers, Director of Large Business Customers, Director of System Efficiency.

The Organization chart of the Energy Efficiency Department is attached as Exhibit EE-1.

IV. Responsibilities

The Energy Efficiency Department provides products and services to customers which help them manage their total energy costs by encouraging changes in energy usage behaviors, using energy more efficiently, and providing information on energy choices. One of the most important functions of the Energy Efficiency Department is to monitor customer satisfaction for all customers of Duke Energy, assess any negative trends and develop and implement solutions to address any issues.

V. Practices and Procedures

The Energy Efficiency Department monitors key changes in customers and the industry with regard to products and services on a continuous basis and communicates the impact of these to the executive team. Strategic plans are created to address any issues or opportunities.

VI. Decision Making and Control

The Energy Efficiency Department holds regular staff meetings to discuss issues. All important decisions are subject to the review of the Vice President.

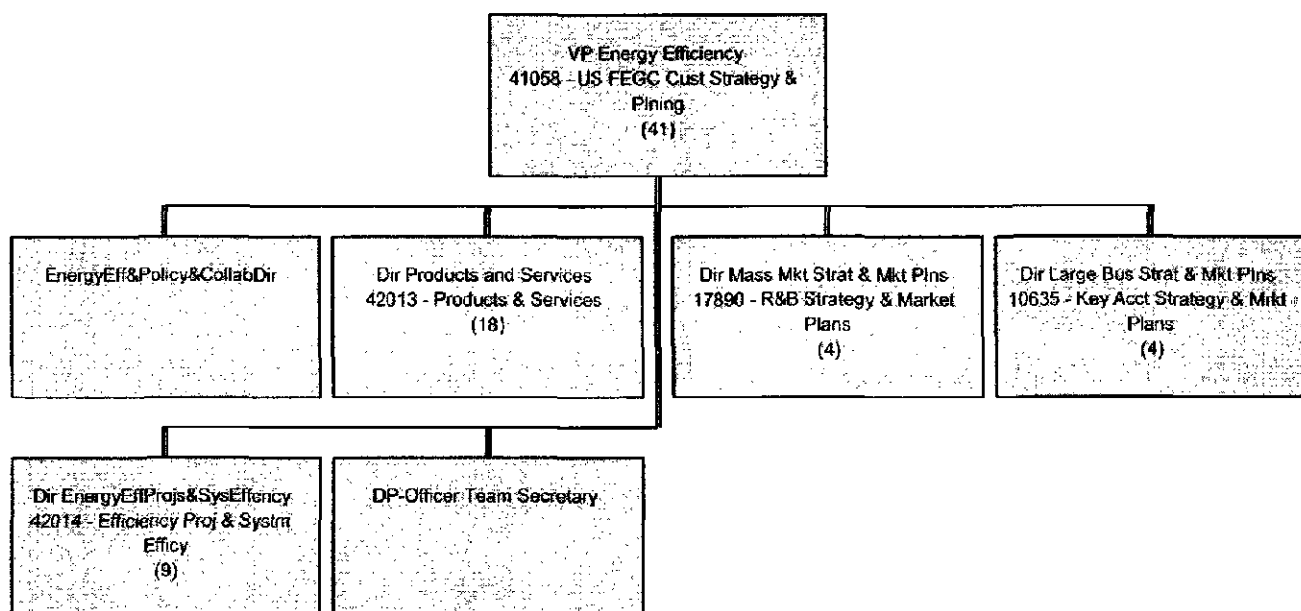
VII. Internal and External Communication

A large part of internal communication results from daily informal interaction among department personnel. This is augmented by regular meetings as well as written communications such as memos, e-mail, etc. The group communicates on a regular basis with the Business Units as well as with other Corporate center departments such as Market Analysis, Budgets and Forecasts, Corporate Development and Corporate Communications. External communication includes those planned customer communications such as bill inserts, letters, websites, invitations to workshops, etc. These are planned by Energy Efficiency and executed through Corporate Communications. Other external communications by this group include publications, conferences, personal communication and industry forums.

VIII. Goal Attainment and Qualification

Performance of the group is measured on customer satisfaction, energy efficiency and financial measures. Customer satisfaction is measured through monthly surveys to the mass market and the Key Accounts National Benchmark Survey for large customers implemented by third parties and administered by Market Analysis.

Vice President Energy Efficiency



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
STRATEGY AND PLANNING

SFR Reference: Chapter II (B)(9)(a)(iv,v), Chapter II (B)(9)(d)(iv),
Chapter II (B)(9)(g)(i,ii,ii,v)

I. Policy and Goal Setting

The Strategy and Planning Department provides senior management with corporate intelligence designed to enhance organizational resilience to anticipate threats and take advantage of financial opportunities, develop robust business plans and formulate company strategy. The key functions of this group include market monitoring through the continuous tracking of changes in the industry, facilitating the development and communication of corporate strategy, coordinating business planning, and providing research and analytical support as needed for senior management.

The Strategy and Planning Department is also responsible for all aspects of long-term planning including but not limited to integrated resource planning, load forecasting, environmental compliance planning and market fundamentals. The Strategy and Planning Department supports the corporate policies stated in the Working Environment Policy Manual through department directives, practices and procedures.

The Department Executive, in consultation with his/her staff, coordinates goal setting for the group. Goals for the group reflect the financial and administrative goals established in the business plan of the Corporate Strategy and Policy Group.

II. Strategic Planning

Planning for the department is the responsibility of the Department Executive in consultation with his/her staff. Departmental planning decisions are made annually for the next five years. These planning decisions are tailored to support corporate goals.

III. Organizational Structure

The Strategy and Planning Department is under the direction of the Department Executive and is a part of the Corporate Strategy and Policy Group. There are five direct reports to the Department Executive including the heads of Corporate Strategic Initiatives, Market Fundamentals, Integrated Resource Planning, Customer Market Analytics and Strategy and Business Analytics.

The Organization chart of the Strategy and Planning Department is attached as Exhibit SP-1.

IV. Responsibilities

An important function of the Strategy Planning Department is to monitor emerging trends within the industry, assess their impact and alert the organization on emerging threats and opportunities. In addition to facilitating the development and communication of corporate strategy, the group is responsible for coordinating the strategic planning cycle and ensuring that business plans are well aligned on a corporate basis. The department also supports the company's executive team by providing research and analytical support for special projects.

The Strategy and Planning Department also has direct responsibility for the development, support and facilitation of long term planning efforts at Duke Energy. This includes responsibility for integrated resource planning, environmental compliance planning, load forecasting and projecting market fundamentals

V. Practices and Procedures

The Strategy and Planning Department monitors key changes in the industry on a continuous basis and communicates the impact of these to the executive team. The group facilitates the discussion of critical strategic issues to develop clear articulation of the company's point of view regarding these issues. Strategy and Planning facilitates the development of the company's strategy and communicates it to employees and other stakeholders through image maps and other regularly held information sessions.

VI. Decision Making and Control

The Strategy and Planning Department holds regular staff meetings to discuss issues. All important decisions are subject to the review of the Department Executive.

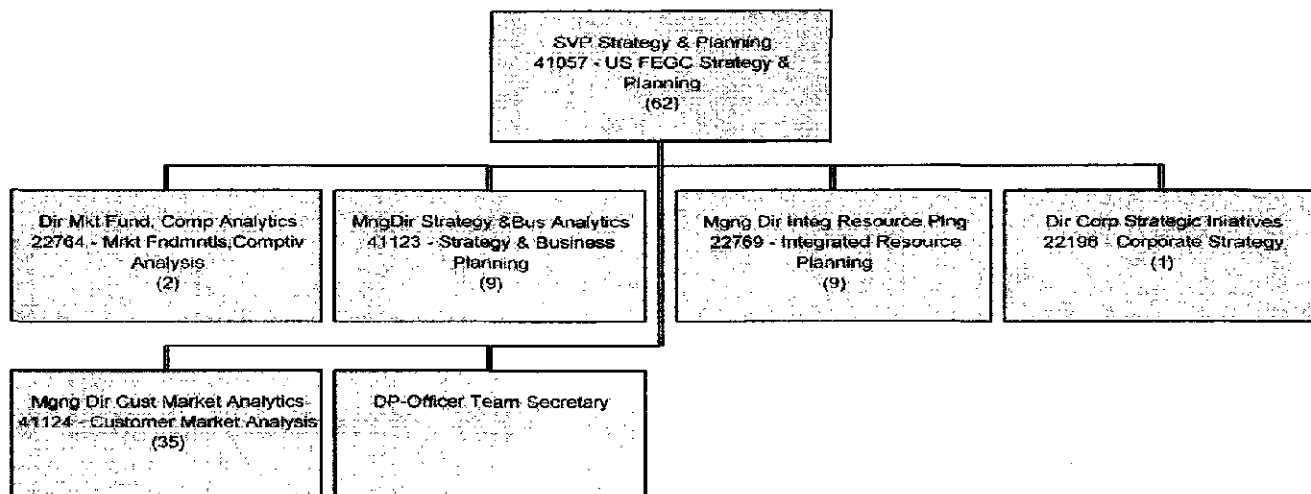
VII. Internal and External Communication

A large part of internal communication results from daily informal interaction among department personnel. This is augmented by regular meetings as well as written communications such as memos, e-mail, etc. The group communicates on a regular basis with the Business Units as well as with other Corporate center departments such as Finance, Corporate Development and Administrative Areas. External communication includes publications, conferences, personal communication and industry forums.

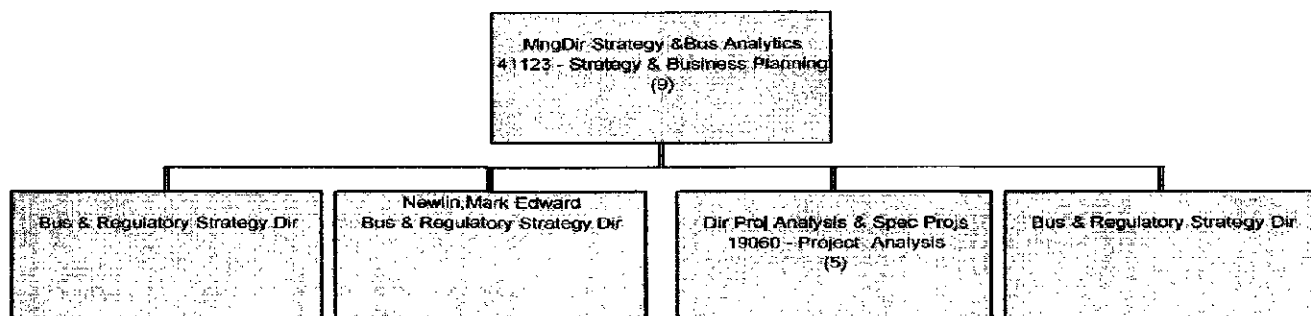
VIII. Goal Attainment and Qualification

Performance of the group is usually measured by feedback from its customers. These include members of the executive management team as well as employees from other departments that interact with the Strategy and Planning group. The group solicits feedback through surveys and direct interviews.

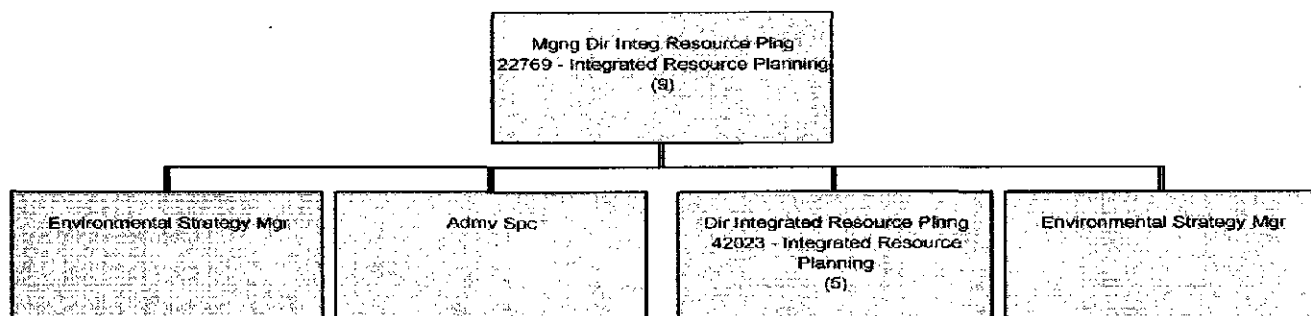
Senior Vice President Strategy & Planning



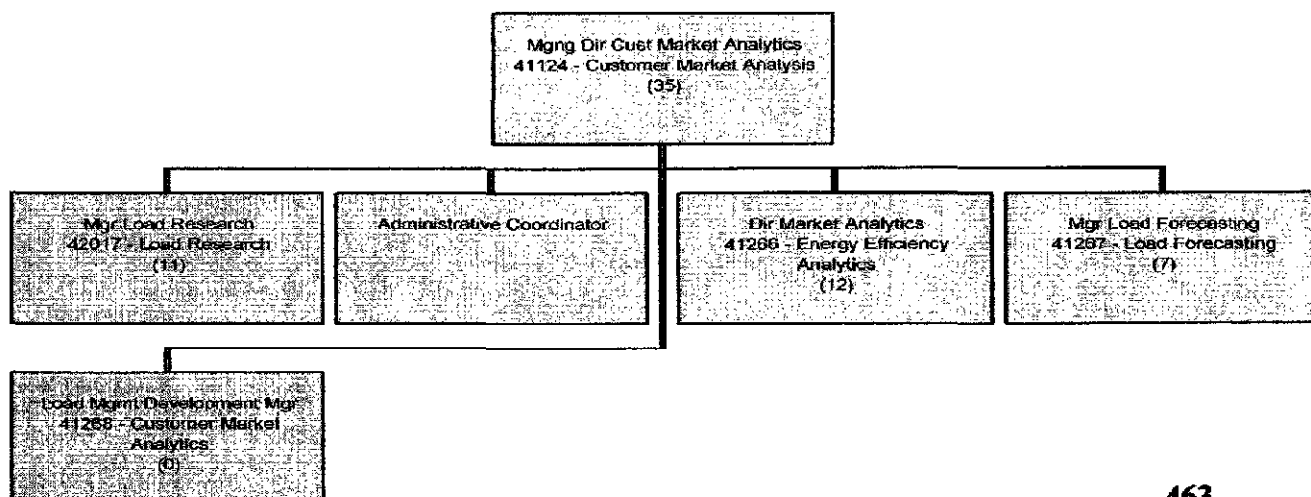
Managing Director Strategy & Business Analytics



Managing Director Integrated Resource Planning



Managing Director Customer Market Analytics



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES & ORGANIZATION
BUSINESS RELATIONS DEPARTMENT
SFR Reference: Chapter II (B)(9)(d)(i,v), Chapter II (B)(9)(g)(v)

I. Policy and Goal Setting

The Business Relations Department (Department) implements plans and strategies that increase customer satisfaction, strengthen relationships and enhance the company image with large business customers, local governmental agencies and community leaders. Business Relations Managers leverage a proactive planning process to identify customer and stakeholder needs and coordinate with other departments to deliver cost-effective service and solutions.

Department policies and approval levels align with corporate policies and objectives. All purchases, expenditures and transactions comply with Duke Energy's Approval of Business Transaction Policy. Compliance with policies, either corporate or departmental, is everyone's responsibility. Compliance is measured in various ways including cost reports for tracking budget performance, schedules track project milestones and performance appraisals measure performance in meeting goals. In addition, it is the responsibility of management at all levels to audit its operation for compliance.

Department goals support Duke Energy Ohio priorities and align with the broad objectives established at the corporate level. Individual and team goals are set annually through a process which identifies weighted key success factors and measures at the beginning of the year, combines these substantive goals with behavioral goals and corporate financial goals, and includes an evaluation of achievement at the end of the year.

Participative management techniques are used to allow employees affected by Department goals an opportunity to contribute to discussions and review of the goals, measures and plans. Final approval of the goals and policies rests with the senior management involved, but it is understood that successful implementation of any policy or goal can be assured only through the support of those involved.

II. Strategic Planning

Strategic planning is coordinated between the Vice President, Business Relations and Development and the General Manager, Customer Planning and Strategy. Planning involves structured input and feedback from senior management and staff members from State Governmental and Regulatory Affairs, Rates, Power Delivery,

Gas Operations and Energy Efficiency. Regular staff meetings are held to discuss pending issues and decide what items require attention and the time frame under which issues are to be addressed. In conjunction with the development of annual individual and team goals, resources are directed toward the overall corporate goals as developed by executive management. Feedback from customer satisfaction surveys and employees is used to identify major internal and external issues and to develop response mechanisms. In addition, previous programs are reviewed and budget resources are reallocated to meet those needs for the following year that have been identified as having priority.

III. Organizational Structure

The Department is divided into three geographic areas: Ohio North, Ohio Central and Ohio East/Kentucky. Managers (Manager, Business Relations) are responsible for directing activities within the three geographic areas. The three managers report directly to the Vice President, Business Relations and Development. Business Relations Managers report directly to each Manager, Business Relations.

An organizational chart is attached as Exhibit BR-1.

IV. Responsibilities

The Business Relations Department responsibilities are:

- To manage, lead, direct, facilitate, coordinate and represent Duke Energy's presence within assigned geographical areas;
- To provide cost-effective and reliable external/internal customer service to our customers and communities;
- To facilitate and expedite the resolution of local, complex customer issues and problems while maximizing business opportunities;
- To advance Duke Energy's business, environmental, legislative and regulatory initiatives while growing/maintaining our corporate presence in communities;
- To build strategic alliances and sustainable relationships with elected officials, business/community leaders and governmental/legislative contacts;
- To provide a leadership role in working with economic development organizations and existing businesses to attract and retain jobs/investments and to encourage expansion of existing jobs/investments; and
- To serve as a liaison with customers by building meaningful relationships. Collaborate, facilitate and interface regularly with other internal departments to provide key data and information to help achieve operating company objectives; interfaces with local media contacts.

V. Practices and Procedures

Departmental personnel maintain close working relationships with all areas of the Company, and work with appropriate Company personnel to assist strategic customers and communities while resolving issues and needs.

VI. Decision Making and Control

Departmental decision-making and control are based on department goals and input from other departments. The Department is involved in both proactive and reactive issues and consults frequently with management and expert technical personnel from other departments to determine appropriate responses. Major decisions are reviewed with senior management for input and concurrence. Budget requests and variances are approved by senior management.

VII. Internal and External Communication

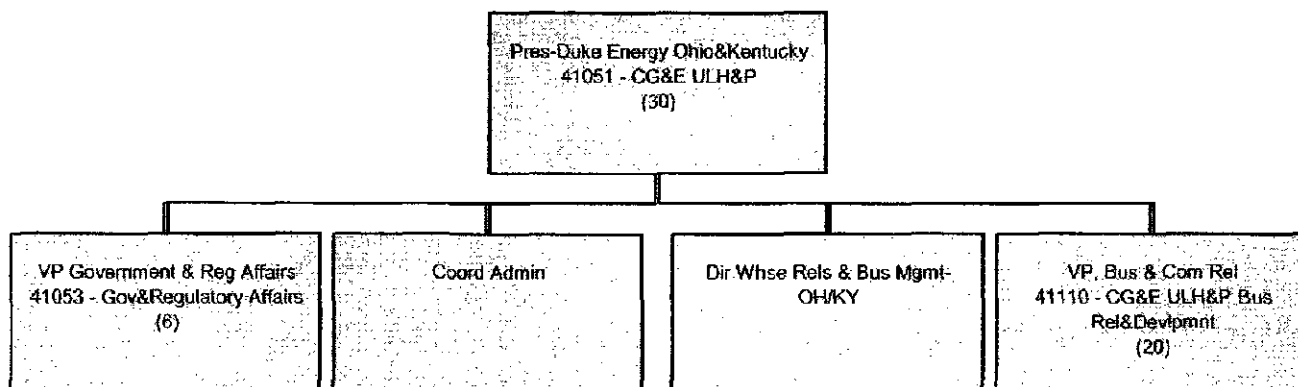
The Business Relations Department is the communication conduit of the company for large customer and community related developments, which need to be interpreted and communicated internally, and for company positions, which need to be taken.

VIII. Goal Attainment and Qualification

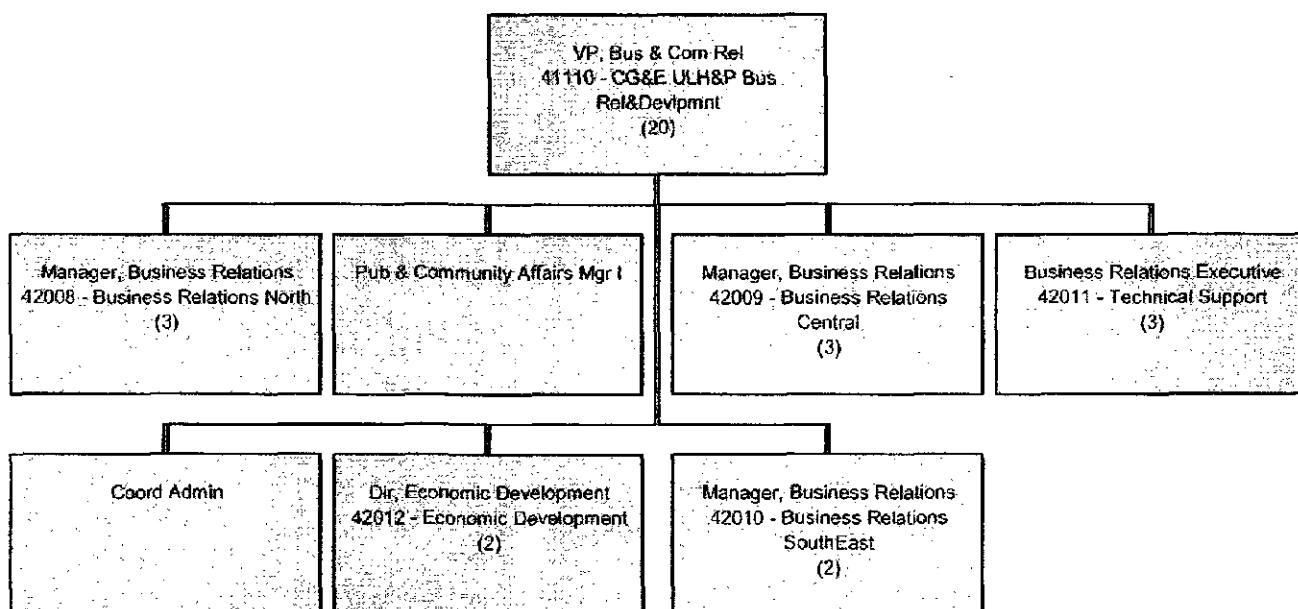
Annual individual and team goals are set at the beginning of each calendar year and reviewed mid-year and at year-end to determine achievement levels. Evaluations include the level of difficulty and effort exerted to achieve each goal, the achievement level itself, and whether each goal was pursued in a manner, which benefited the company's image and, which exhibited individual behavioral traits valued by the Company, such as honesty, respect, and high degree of professionalism.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

President Duke Energy Ohio & Kentucky



Vice President Business & Community Relations



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES & ORGANIZATION
GOVERNMENT AND REGULATORY AFFAIRS DEPARTMENT
SFR Reference: Chapter II (B)(9)(d)(v)

I. Policy and Goal Setting

The Government and Regulatory Affairs Department (Department) has general charge of state governmental and regulatory relations. It maintains communications with elected and appointed government officials on activities and public policy issues related to the Company and its operations, informs the Company of regulatory and legislative issues, and coordinates the development of Company policies and positions on these issues.

The Department supports the corporate policies and objectives as described in the Working Environment Policy Manual through Department directives, procedures and practices.

The Department establishes policies to implement corporate level policies. For example, the basic accounting rules to be followed are determined at the corporate level along with the overall funding that will be made available. Budgeting of these funds and how they are accounted for is done at the departmental level. Similarly, the broad objectives of customer service are set corporately, while the performance standards for internal and external customers are set within the department.

The Department uses participative management techniques in establishing department policies and goals. Those impacted by the policies or goals will have the opportunity to contribute to the discussions and review the work product during the development process. Final approval of the goals and policies rests with the senior management involved, but it is understood that successful implementation of any policy or goal can be assured only through the support of those involved.

Individual and team goals are set annually through a process which identifies weighted key success factors and measures at the beginning of the year, combines these substantive goals with behavioral and corporate financial goals, and includes an evaluation of achievement at the end of the year.

II. Strategic Planning

Departmental strategic planning in Government and Regulatory Affairs is coordinated between the Vice President of Ohio and Kentucky State Government and Regulatory Affairs and the legislative, regulatory and environmental personnel in each state, and involves structured input and feedback from all Department staff members. Regular staff meetings are held to discuss pending issues and decide what items require attention and the time frame under which issues are to be addressed. In conjunction with the development of annual individual and team goals, resources are directed toward the overall corporate goals as developed by executive management. A participative process is used to identify major internal and external issues and to develop response mechanisms. All department personnel are involved in planning and review sessions. In addition, previous programs are reviewed and budget resources are reallocated to meet those needs for the following year that have been identified as having priority.

III. Organizational Structure

The Vice President of State Government and Regulatory Affairs reports directly to the President of Duke Energy Ohio and Kentucky. The Department is divided into four divisions:

- Ohio Government Affairs;
- Kentucky Government Affairs;
- Ohio and Kentucky Regulatory Affairs; and
- Ohio and Kentucky Environmental Affairs.

An organizational chart is attached as Exhibit GRA-1.

IV. Responsibilities

This Department has general charge of state and local governmental relations, and also state regulatory and environmental affairs. It maintains liaisons with elected and appointed government officials on activities related to the Company and its operations, informs the Company of regulatory and legislative issues, and coordinates the development of Company policies and positions on these issues. The Department's responsibilities include:

- Establishing, maintaining, and strengthening communications between the Company and legislative, political, regulatory, and environmental constituents;
- Providing timely and relevant information about the Company;
- Broadening legislative, political, regulatory, and environmental understanding and confidence about Company operations;

- Drafting, reviewing, negotiating and promoting legislative initiatives with the Ohio and Kentucky General Assemblies;
- Drafting position statements; reviewing, analyzing and responding to various regulatory initiatives; and presenting the Company's position on regulatory policy matters before state regulatory policy making bodies, including but not limited to the Public Utilities Commission of Ohio, the Kentucky Public Service Commission, the Ohio Environmental Protection Agency and the Kentucky Environmental and Public Protection Cabinet;
- Informing other employees in the Company of important legislative, political and regulatory developments and aid in the analysis of these developments as they relate to the company's business interests; and
- Assisting in the administration of the Company's Political Action Committee and its Grassroots network.

V. Practices and Procedures

Department personnel maintain close working relationships with nearly all areas of the Company, and work with appropriate Company personnel to develop legislative, regulatory, and environmental positions. Prior to representing the Company on any issue, departmental personnel receive guidance and clearance from the Department Vice President and executive management.

VI. Decision Making and Control

Departmental decision-making and control are based on department goals and input from other departments. The Department is both proactive and reactive on public policy issues and communications with policy makers and consults frequently with management and expert technical personnel from other departments to determine appropriate responses. Major decisions are reviewed with senior management for input and concurrence. Budget requests and variances are approved by senior management.

VII. Internal and External Communication

The Department is the primary communication conduit of the company for legislative, regulatory, and environmental advocacy developments and for company positions which need to be relayed to appropriate legislative and regulatory bodies. Timekeeping requirements and periodic education on restrictions such as ex parte communications, lobbying laws and reporting requirements assure compliance with all applicable rules and regulations regarding communications with lawmaking and regulatory bodies.

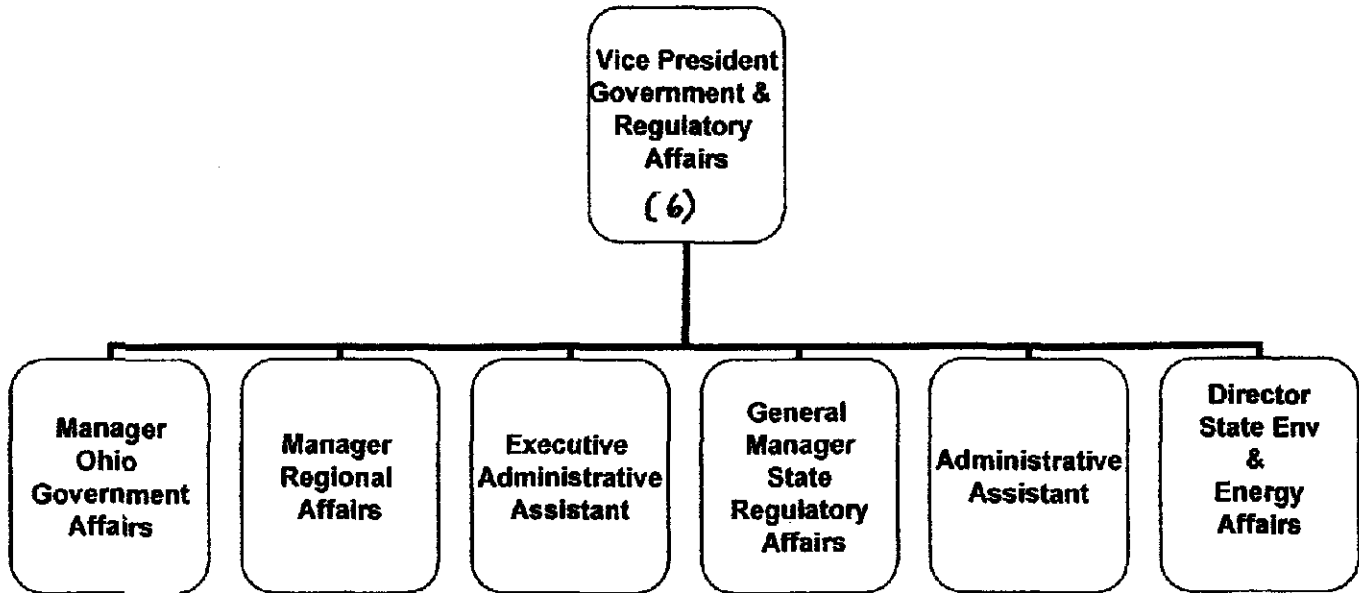
Corporate activities and issues are relayed from the Vice President to the Department employees at regular staff meetings and information is exchanged about emerging issues internally and externally.

VIII. Goal Attainment and Qualification

Annual individual and team goals, set at the beginning of each calendar year, are reviewed quarterly and at year-end to determine achievement levels and to make any revisions which may be appropriate, given changed circumstances.

Evaluations include the level of difficulty and effort exerted to achieve each goal, the achievement level itself, and whether each goal was pursued in a manner which benefited the company's image and which exhibited individual behavioral traits valued by the Company, such as honesty, respect, and a high degree of professionalism.

Government and Regulatory Affairs Organization



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION
FEDERAL GOVERNMENT AFFAIRS DEPARTMENT
SFR Reference: Chapter II (B)(9)(a)(i,ix,x), Chapter II (B)(9)(d)(v)

I. Policy and Goal Setting

The Federal Government Affairs department (FGA) has general charge of federal government relations. It maintains liaisons with elected and appointed government officials on activities related to the Company and its operations, informs the Company of regulatory and legislative issues and coordinates the advocacy strategy of Company policies and positions on these issues. The department has a broad scope of goals based on the changing regulatory and competitive landscape in which the Company operates. The department

- Identifies key federal policy issues that affect the Company's value and liability;
- Advances corporate positions through pro-active policy development and strategic communications;
- Ensure access to federal and other officials.

The annual goals and objectives of FGA are designed to support the achievement of the strategic and operational initiatives of the corporate business plan. These goals and objectives are developed by all levels of departmental personnel and are approved by the Vice President of FGA.

II. Strategic Planning

Departmental strategic planning in Federal Government Affairs is coordinated between the Vice President of Federal Government Affairs and Directors of Federal Government Affairs, and involves structured input and feedback from all department staff members. Regular staff meetings are held to discuss pending issues and decide what items require attention and the time frame under which issues are to be addressed. In conjunction with the development of annual individual and team goals, resources are directed toward the overall corporate goals as developed by executive management. A participative process is used to identify major internal and external issues and to develop response mechanisms. All department personnel are involved in planning and review sessions. In addition, previous programs are reviewed and budget resources are reallocated to meet those needs for the following year that have been identified as having priority.

III. Operational Structure

The Vice President reports to the Group Executive and Chief Strategy and Policy Officer.

The organizational chart for FGA is attached as exhibit FGA-1

IV. Responsibilities

This department has general charge of federal governmental relations. It maintains liaisons with elected and appointed government officials on activities related to the Company and its operations, informs the Company of regulatory and legislative issues, and assists in the development of Company policies and positions on these issues.

The Federal Government Affairs Department's responsibilities are:

- Establishing, maintaining, and strengthening communications between the Company and legislative, political and regulatory constituents;
- Providing timely and relevant information about the Company;
- Broadening legislative, political and regulatory understanding and confidence about Company operations;
- Drafting, reviewing, negotiating and promoting legislative initiatives at the federal level;
- Drafting position statements; review, analyze and respond to various legislative and regulatory initiatives.
- Informing other employees in the Company of important legislative, political and regulatory developments and aid in the analysis of these developments as they relate to the company's business interests; and
- Administration of the Company's Political Action Committee and its Grassroots network.

V. Practices and Procedures

Departmental personnel maintain close working relationships with nearly all areas of the Company, and work with appropriate Company personnel to develop legislative and regulatory positions. Prior to representing the Company on any issue, departmental personnel receive guidance and clearance from the senior leadership and executive management.

VI. Decision Making and Control

Day-to-day decision making within the department is generally delegated to the directors, with major decisions rolling up to the Vice President. Legal counsel is consulted on an as-needed basis. In addition to staff meetings, informal discussions are held frequently with all employees.

The level at which decisions are made and the amount of control exercised depends on the potential effect of the decision. All employees are apprised of their responsibilities and authority and are expected to make decisions within the parameters of that authority and report their results to the next level of supervision as appropriate.

Departmental decision-making and control are based on department goals and input from other departments. The department is involved in both proactive and reactive issues and consults frequently with management and expert technical personnel from other departments to determine appropriate responses. Major decisions are reviewed with senior management for input and concurrence. Budget requests and variances are approved by senior management.

VII. Internal and External Communication

The Federal Government Affairs Department is the communication conduit of the Company for external federal legislative developments which need to be interpreted and communicated internally, and for Company positions which need to be relayed to appropriate federal policy maker. External communications focus on elected federal officials, Administration officials, their respective staffs, various trade associations of which the Company is a member, and other stakeholders. Some other key stakeholders include national environmental groups, labor unions, other utilities, political parties and organizations, etc.

Timekeeping requirements and periodic education on restrictions, such as lobbying laws and reporting requirements, assure compliance with all applicable rules and regulations regarding external communications with lawmakers and regulatory bodies.

The department holds regular staff meetings for all employees, on a monthly basis, under the direction of the Vice President. The purpose of these staff meetings is to communicate policies and decisions of management, to discuss work assignments and issues, and to provide an informal forum to discuss problems, suggestions, and concerns of the employees.

Daily interaction is maintained between the Vice President and the directors and other employees. Frequent formal and informal lines of communication are also maintained with other departments within the Company. Departmental meetings are held with all departmental employees to share ideas and disseminate information on Company activities and the department holds off-site retreats to address various administrative needs, enhance creativity and productivity, and generally fosters a positive working environment.

For all employees, internal communication is encouraged with those departments that are impacted by the various legislative and regulatory policies and proposals that are being analyzed. Teams are utilized as needed to facilitate inter-

departmental communication. Most activities of the department will impact more than one other department, so communication with the appropriate parties in an appropriate timeframe is essential.

VIII. Goal Attainment and Qualification

Annual individual and team goals, set at the beginning of each calendar year, are reviewed mid-year and at year-end to determine achievement levels and to make any revisions which may be appropriate, given changed circumstances. Evaluations include the level of difficulty and effort exerted to achieve each goal, the achievement level itself, and whether each goal was pursued in a manner which benefited the company's image and which exhibited individual behavioral traits valued by the Company, such as honesty, respect, and a high degree of professionalism. Because much of the department's mission is subjective and difficult to measure in absolute numbers, performance reviews for each employee tend to emphasize completion of tasks at various levels. Successful completion of tasks within specified timeframes and meeting certain criteria for success is one way to measure goal attainment. The department does try to obtain feedback from internal customers as to satisfaction with any assistance that the department was able to provide to other departmental projects or activities.

Federal Government Affairs Organization

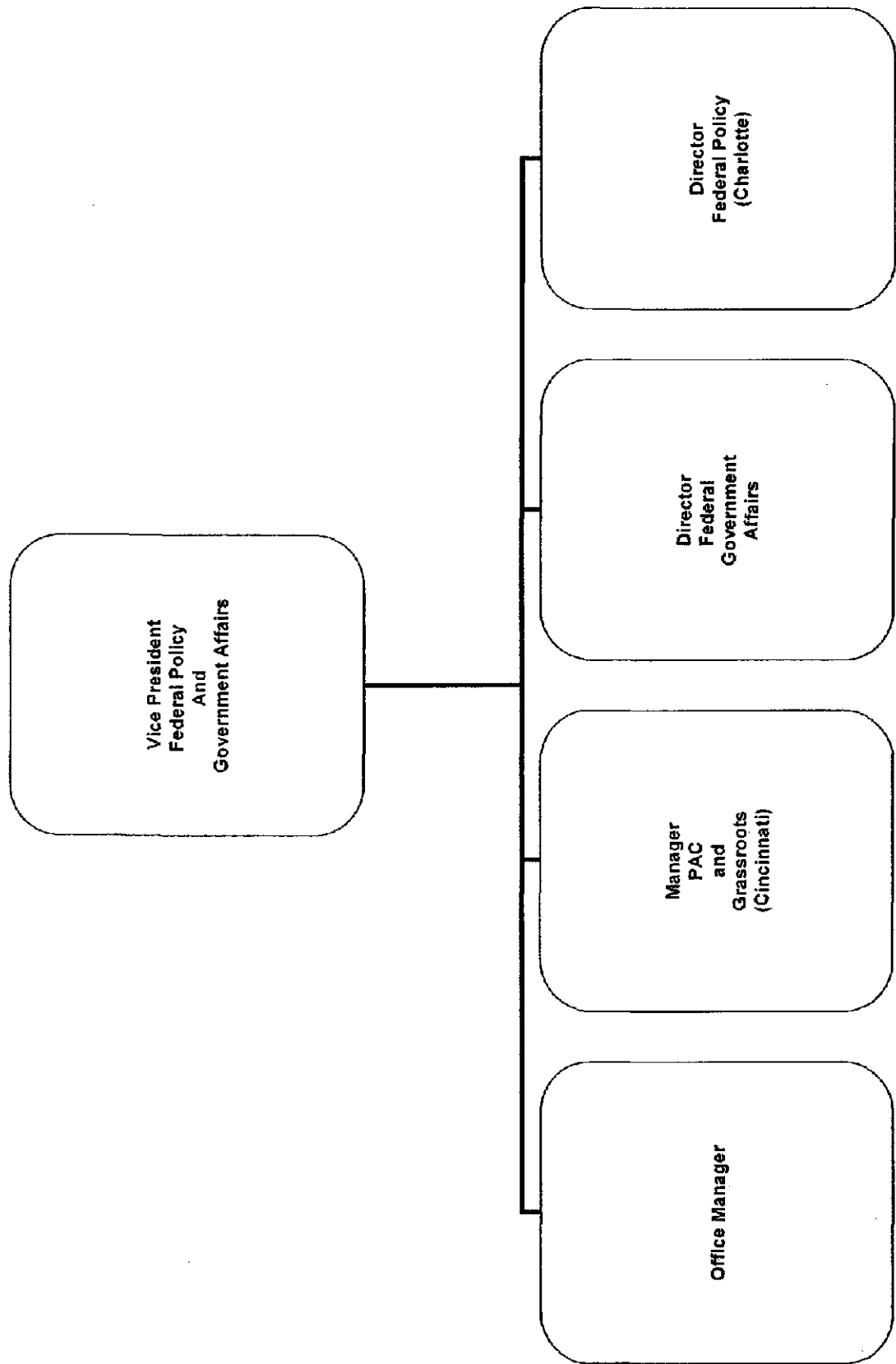


Exhibit FGA-1

DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES & ORGANIZATION
FEDERAL ENERGY POLICY DEPARTMENT
SFR Reference: Chapter II (B)(9)(d)(v)

I. Policy and Goal Setting

The Federal Energy Policy Department has general charge of the formulation and advocacy of all of Duke Energy's policy positions that fall under the jurisdiction of the Federal Energy Regulatory Commission (FERC). It is responsible for monitoring issues and rulemakings that the FERC is addressing, as well as maintaining relationships with the FERC Commissioners and their staffs. It is also responsible for keeping executive management engaged and informed of the federal regulatory landscape and specific issues that could impact Duke.

The Department supports the corporate policies and objectives through Department directives, procedures and practices.

Policies are also established at the departmental level. These policies relate to the activities involving the implementation of corporate level policies. For example, the basic accounting rules to be followed are determined at the corporate level along with the overall funding that will be made available. Budgeting of these funds and how they are accounted for is done at the departmental level. Similarly, the broad objectives of customer service are set corporately, while the performance standards for internal and external customers are set within the department.

It is the objective of Federal Energy Policy to use participative management techniques in establishing both department policy and goals. This means that those affected by the policies or goals will have the opportunity to contribute to the discussions and review the work product during the development process. Final approval of the goals and policies rests with the senior management involved, but it is understood that successful implementation of any policy or goal can be assured only through the support of those involved.

Federal Energy Policy involves all personnel in establishing goals within its area of responsibility in order to get everyone's support. These goals will meet the objectives established by the corporation and the department. The decisions to be made in implementing this plan can then most effectively be made by those that are carrying out the plan.

Individual and team goals are set annually through a process which identifies weighted key success factors and measures at the beginning of the year, combines these substantive goals with behavioral goals and corporate financial goals, and includes an evaluation of achievement at the end of the year.

II. Strategic Planning

Departmental strategic planning in Federal Energy Policy is coordinated between the members of Federal Energy Policy and the various businesses whose interests they are charged with representing. Federal Energy Policy personnel have each been designated as a point of contact for different executives and are charged with ensuring that the executives are kept abreast of current FERC issues, as well as ensuring that the business interests of the executives' organizations are harmonized into Duke's federal energy policy positions. For example, the Managing Director, Federal Regulatory Policy Integration is responsible for being the point of contact and working with the three presidents of the five Duke utility operating companies. Additionally, regular staff meetings are held to discuss pending issues and decide what items require attention and the time frame under which issues are to be addressed. In conjunction with the development of annual individual and team goals, resources are directed toward the overall corporate goals as developed by executive management. A participative process is used to identify major internal and external issues and to develop response mechanisms. All department personnel are involved in planning and review sessions. In addition, previous programs are reviewed and budget resources are allocated to meet those needs for the following year that have been identified as having priority.

III. Organizational Structure

The Federal Energy Policy consists of seven employees:

- 1 - Vice President
- 1 - Officer Team Secretary
- 1 - Managing Director
- 4 - Directors

The Federal Energy Policy organizational chart is attached as Exhibit FEP-1.

The Vice President, Federal Regulatory Policy reports directly to the President, Franchised Gas and Electric.

IV. Responsibilities

The Federal Energy Policy Department's responsibilities are:

- Establishing, maintaining, and strengthening communications between the Company and federal regulators while following all legal requirements governing these relationships;
- Monitoring and tracking the actions and initiatives taken by the FERC that could impact the regulatory landscape and policy;
- Analyzing actions taken by federal regulators, and when relevant to Duke, providing executives summaries of relevant federal regulatory orders;
- Leading Duke's participation in FERC matters such as: filing comments, reply comments, requests for rehearing, and complaints;

- Harmonizing business interests of the different internal stakeholders into a cohesive Duke Energy policy position through a collaborative process.

V. Practices and Procedures

Departmental personnel maintain close working relationships with nearly all areas of the Company, and work with appropriate Company personnel to develop regulatory positions. Prior to representing the Company on any issue, departmental personnel receive guidance and clearance from the Vice President and executive management.

VI. Decision Making and Control

Departmental decision-making and control are based on department goals and input from other departments. The department is involved in both proactive and reactive issues and consults frequently with management and expert technical personnel from other departments to determine appropriate responses. Major decisions are reviewed with senior management for input and concurrence. Budget requests and variances are approved by senior management.

VII. Internal and External Communication

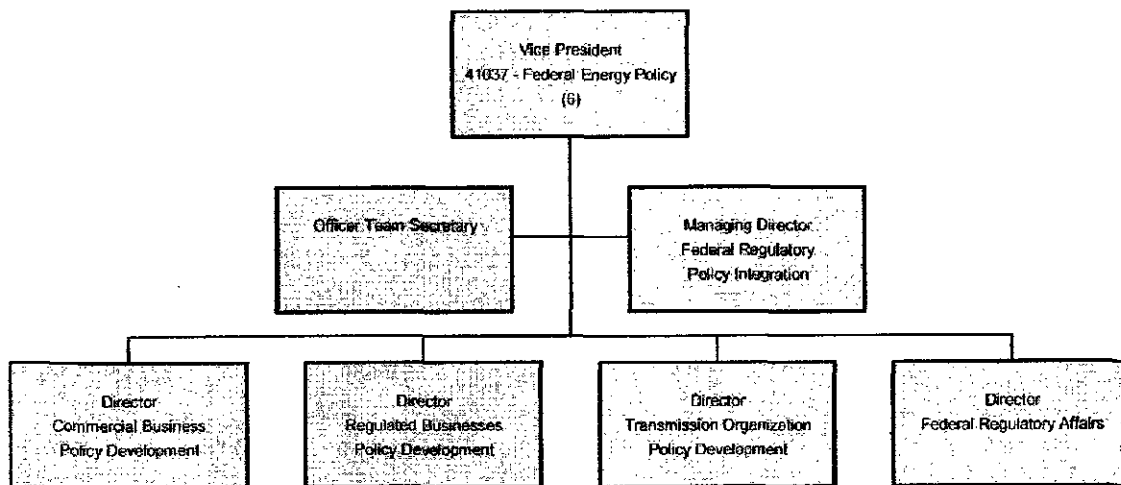
The Federal Energy Policy Department is the communication conduit of the company for external federal and regulatory developments which need to be interpreted and communicated internally, and for company positions which need to be relayed to appropriate regulatory bodies. Timekeeping requirements and periodic education on restrictions such as *ex parte* communications, and reporting requirements assure compliance with all applicable rules and regulations regarding external communications with lawmakers and regulatory bodies.

Corporate activities and issues are relayed from the Vice President to the department employees at regular staff meetings, and information is exchanged about emerging issues internally and externally.

VIII. Goal Attainment and Qualification

Annual individual and team goals, set at the beginning of each calendar year, are reviewed mid-year and at year-end to determine achievement levels and to make any revisions which may be appropriate, given changed circumstances. Evaluations include the level of difficulty and effort exerted to achieve each goal, the achievement level itself, and whether each goal was pursued in a manner which benefited the company's image and which exhibited individual behavioral traits valued by the Company, such as honesty, respect, and a high degree of professionalism.

Federal Energy Policy



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
CORPORATE COMMUNICATIONS DEPARTMENT
SFR Reference: Chapter II (B)(9)(d)(i,v), Chapter II (B)(9)(e)(vii)

I. Policy and Goal Setting

The Corporate Communications Department does not issue policy statements, but supports the corporate policies and objectives through the Department directives, procedures and practices.

Goals for the department are set annually by a participative process involving leadership of the department. These goals are designed to support the business plan of the Strategy and Policy department as well as the corporate business plan. In conjunction with the development of department goals, individual annual performance goals are established to assign the resources necessary to achieve the overall corporate business plan as developed by senior management. All department members participate in semi-annual reviews of their annual performance goals. Adjustments are made where necessary.

The Corporate Communications Department conveys its goals through its annual business plan:

- To communicate timely, accurate and relevant information to all of our key stakeholders (i.e. customers, shareholders, employees, and the communities we serve);
- To establish, maintain and strengthen communications between the Company and its stakeholders;
- To broaden our stakeholders' understanding and confidence about the company's operations; and
- To inform employees on the Company strategy, policies, objectives, operations and activities.

II. Strategic Planning

Departmental strategic planning in Corporate Communications is coordinated between the Senior Vice President and Chief Communications Officer and the department managers and involves structured input and feedback from senior executives and Department staff members. Regular staff meetings are held to discuss pending issues and to decide what items require attention and the time frame under which the issue is to be addressed. A participative process is used to identify major internal and external issues and to develop response mechanisms. In addition, previous programs are reviewed and budget resources are reallocated to meet those needs for the following year, which have been identified as having priority.

III. Organizational Structure

The Senior Vice President and Chief Communications Officer reports directly to the Group Executive and, Chief Strategy and Policy Officer of Duke Energy. The Corporate Communications Department is divided into the following sections: Customer and Regional Communications; Internal Communications; External Communications; Generation Communications; Executive Communications; and Policy Communications. The Customer and Regional Communications section is headed by a vice president; other sections are headed by a manager or director. All report directly to the Chief Communications Officer.

An organization chart is attached as Exhibit CC-1.

IV. Responsibilities

This Department has general charge of employee communications, customer communications, advertising, financial communications and media relations support for the organization.

The Department is responsible for internal publications directed at employees, external publications for businesses, shareholders, and customers, special publications that may be required from time to time, news releases and advertising. Other responsibilities include coordination of all activities regarding the news media, including news conferences, interviews, and responses to questions regarding Duke Energy's operations and activities. The Department writes speeches and prepares presentations for Company executives for both internal and external audiences. The Department also maintains regular contact with individuals throughout the organization through attendance at other department staff meetings and ongoing communications about events and issues as they occur.

V. Practices and Procedures

The Corporate Communications Department activities are reviewed through an approval process involving the Chairman and CEO, Chief Strategy and Policy Officer, and select senior executives and committees. All published information for external distribution is reviewed by senior management and the Legal Department.

Department personnel maintain close working relationships with nearly all areas of the organization through individuals in the department being assigned as liaisons with the business units, and Shared Services and Corporate Center. An internal network consisting of key personnel with management responsibilities or technical and subject-matter expertise has been established to provide a group of trained individuals who can respond to external and internal inquiries in detail on topics in their area of expertise. News releases are reviewed and approved by appropriate technical, legal and senior management personnel.

VI. Decision Making and Control

Departmental decision-making and control are based on the support for the Company's business plan and input from other departments and senior executives. Day-to-day decision making is handled by the Vice President, Customer and Regional Communications and other direct reports to the Chief Communications Officer in coordination with the Chief Communications Officer and necessary senior management executives and other departments, (e.g., Legal). The department is involved in both proactive and reactive issues, and staff consults frequently with management and expert technical personnel from other departments to determine appropriate responses. Major decisions are reviewed with senior management for input and concurrence. Budget requests and variances are approved by senior management.

The department has moved decision making to the lowest practical level in the organization. Managers have authority to make decisions affecting their area within budget limitations and general guidance. Managers provide weekly reports of activities and issues confronted, which are used to keep departmental management and senior management informed. Corporate activities and issues are relayed from the Senior Vice President and Chief Communications Officer at regular senior staff meetings, and information is exchanged about emerging issues internally and externally.

VII. Internal and External Communication

The total communications program is designed to provide a basis for the Company's stakeholders to gain additional knowledge of the company and improve perceptions of the role energy plays in the community. The department works closely with the news media and with customer contact personnel to provide pertinent information and to increase public awareness and understanding of major issues. An Annual Report to Shareholders is prepared each year in conjunction with the Investor Relations Department.

Additionally, the Corporate Communications Department produces a variety of internal communications materials, primarily distributed electronically. *This Week @ Duke Energy* (Exhibit CC-2) is published once a week and is distributed throughout the organization. It summarizes current news events about the Company, its employees, and the utility industry. It is distributed in the Company e-mail to more than 18,300 employees.

Corporate Communications maintains and updates the corporate content of the Company Web site, www.Duke-Energy.com, ensuring that it is timely and accurate for key Company stakeholders, and to ensure consistency of key messages throughout the entire Web site.

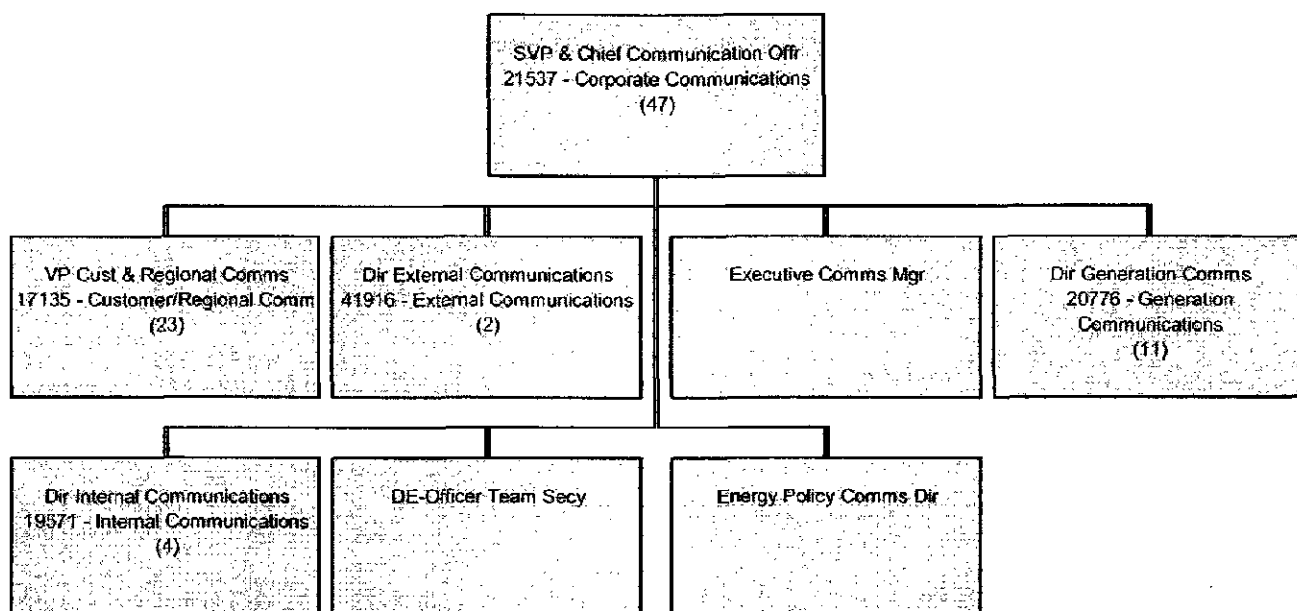
The department also produces special employee information pieces, such as video updates, brochures and posters on corporate activities

VIII. Goal Attainment and Qualification

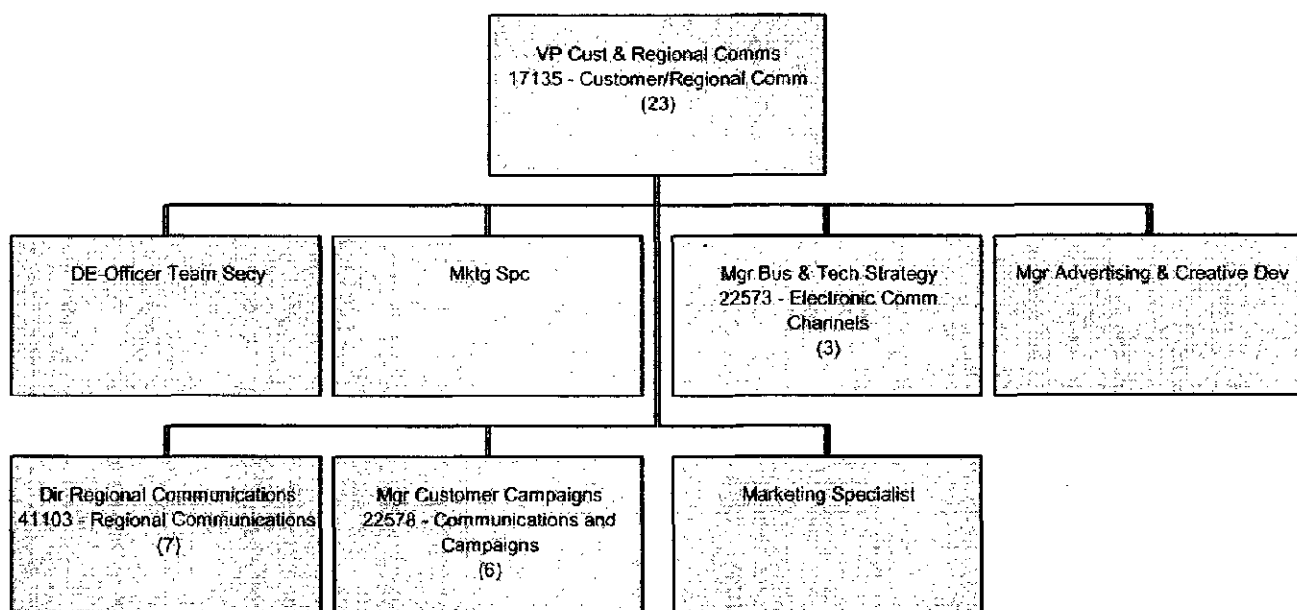
Several research tools are used to judge the effect of the programs implemented by the Corporate Communications Department. They included regular customer satisfaction surveys, employee surveys, publications surveys, established feedback loops with internal clients, and media tracking. Individual comments from customers, shareholders and employees are also used to judge the effectiveness of communications vehicles.

Certain criteria in survey data are identified to become benchmarks on which the effect of certain programs will be measured. In addition, overall attitudes toward the Company determine if there are specific changes that can be addressed through communications programs.

Senior Vice President & Chief Communications Officer



Vice President Customer & Regional Communications



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION
SUSTAINABILITY AND COMMUNITY AFFAIRS DEPARTMENT
SFR Reference: Chapter II (B)(9)(a)(i,ix,x),Chapter II (B)(9)(d)(v)

I. Policy and Goal Setting

The Sustainability and Community Affairs (S&CA) department develops policy for corporate giving and supports the corporate policies and procedures that are provided to company employees through the company's portal. New and revised policies, as well as reminders regarding existing policies, are communicated via electronic mail and regular staff meetings.

The annual goals and objectives of the S&CA department are designed to support the annual goals and objectives contained in the Duke Energy charter. Goals for the department are developed using a participative process and are reviewed and approved by the Chairman, President and CEO.

The S&CA department also collaborates with other internal departments to develop sustainability goals and objectives for the corporation that are to be achieved in a five year time frame. These goals are designed to address the critical environmental, social and economic opportunities and risks facing the company today and in the future and are reviewed and approved by the Chairman, President and Chief Executive Officer and the Senior Executive Leadership Team.

The annual giving level of the Duke Energy Foundation is approved by the Foundation's Board of Trustees.

II. Strategic Planning

Strategic planning in the department begins with a review and understanding of company strategic plans, including the Regulated Businesses Unit's business plan, which is updated at least annually, but more often as needs dictate. The department's plans are also informed by best practice research, workshops, and conferences and benchmarking information. Additionally, external sources are monitored for emerging issues that could have a significant impact on the company. Regular staff meetings are held to discuss pending issues and to decide what items require attention and the timeframe under which the issue is to be addressed. Where appropriate, outside consultants assist in the development of plans and programs.

III. Operational Structure

The Vice President of Sustainability and Community Affairs reports directly to the Chairman, President and CEO. The Senior Vice President of Sustainability and Community Affairs also retains the title of President of the Duke Energy Foundation, which is the philanthropic arm of Duke Energy. Direct reports to the Senior Vice President of Sustainability and Community Affairs work in support of sustainability and issues management. Another direct report heads up the Corporate Community Relations group.

The organizational chart for the S&CA department is attached as Exhibit S&CA-1.

IV. Responsibilities

The S&CA department, under the general direction of the Senior Vice President, has three general areas of responsibility:

- Sustainability;
- Issues Management; and
- Corporate Community Relations, including the Duke Energy Foundation

The S&CA department works with departments across the company to develop and implement five-year sustainability goals and plans that address the critical environmental, social and economic issues facing the company. It is also responsible for tracking progress on these goals, communicating this progress internally and externally, conducting sustainability research, leading sustainability related projects and interfacing with the socially responsible investment community and other key non-governmental organizations.

The goal of the department's issues management efforts is to ensure the company is focusing on the most critical public policy issues and relationships. While the department does not manage any critical public policy issues or relationships per se, it designs and provides oversight of an *internal issues and relationship* management process.

The Corporate Community Relations group seeks to build the corporate brand and civic relationships through the strategic use of philanthropy, employee and retiree volunteerism programs and federated employee campaigns (such as United Way). This group also manages key civic relationships in the company's headquarters location.

V. Practices and Procedures

As a matter of daily business, the department is continuously analyzing external and internal developments for their potential impacts on sustainability, issues management and community affairs. Department personnel maintain close

working relationships with nearly all areas of the organization to facilitate knowledge exchange and the development of new/changed initiatives where warranted. Weekly staff meetings are held with all employees to share information, discuss issues and integrate efforts across the S&CA department. Weekly and monthly update reports are also provided to the Vice President of Sustainability and Community Affairs and informal ad hoc communications occur on a daily basis. An internal network consisting of key personnel with community relations responsibilities has also been established. This group meets monthly to coordinate and integrate civic related activities. Bi-weekly staff meetings are also held to share information across the Strategy and Policy function.

VI. Decision Making and Control

Day-to-day decision making within the department is generally delegated to members of the department with major decisions rolling up to the Senior Vice President. Legal counsel is consulted on an as-needed basis. In addition to staff meetings, informal discussions are held frequently with all employees.

The level at which decisions are made and the amount of control exercised depends on the potential effect of the decision. All employees are apprised of their responsibilities and authority and are expected to make decisions within the parameters of that authority and report their results to the next level of supervision as appropriate.

The Duke Energy Foundation has detailed operating procedures, delegation of authority and established control processes, consistent with good governance practices.

VII. Internal and External Communication

The S&CA department produces a variety of internal employee communications materials. Information on the company's sustainability and community relations programs is maintained on the employee portal. General interest articles are also periodically included in the weekly Duke Energy internal newsletter that is e-mailed to employees. Articles are also included when major donations are made or when federated employee campaigns or the annual global service event, a company wide emphasis on volunteerism, begin each year. A newsletter is also provided to Duke Energy retirees to help keep them informed and engaged in the community.

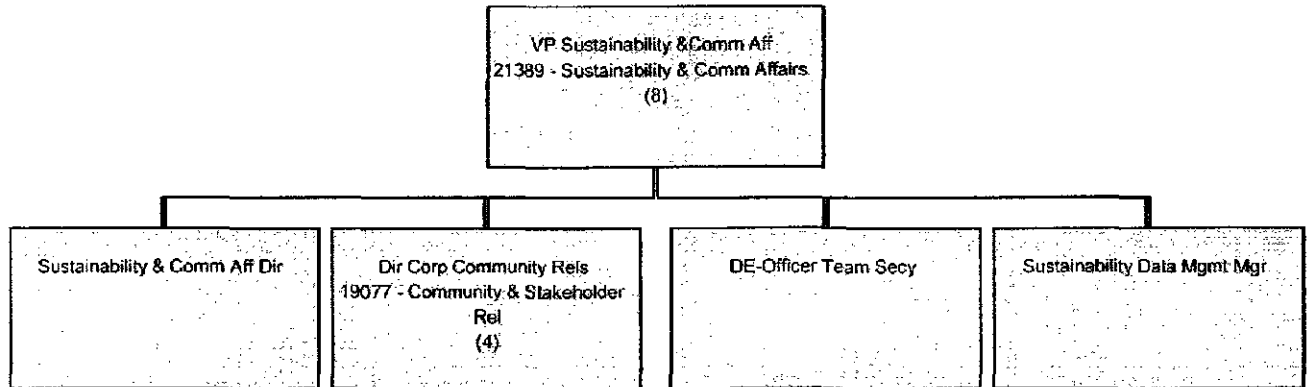
Information on the company's sustainability and community relations programs is also maintained on the company website, www.duke-energy.com. The S&CA department also works closely with the Corporate Communications department to issue news releases as appropriate. An annual sustainability report is also produced for the many stakeholders who are interested in Duke Energy's economic, environmental and social performance.

VIII. Goal Attainment and Qualification

Performance is measured on an individual basis through an annual review of how well each employee met his/her key accountabilities and goals. Because much of the department's mission is subjective and difficult to measure in absolute numbers, goals for each employee tend to emphasize completion of tasks at various levels. Successful completion of tasks within specified timeframes and meeting certain criteria for success is one way to measure goal attainment. The department obtains feedback from internal customers as to satisfaction with any assistance that the department was able to provide to other departmental projects or activities.

Departmental level goals are also used in addition to corporate goals in the employee short term incentive plan. At the end of the calendar year, the Senior Vice President of Sustainability and Community Affairs submits supporting evidence and reports on whether or not each of the department goals was met. The Chairman, President and CEO assesses whether or not each department goal was met and if the goal is deemed to be met, to what extent (minimum, target, maximum).

Vice President Sustainability & Community Affairs



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
DUKE ENERGY FOUNDATION
SFR Reference: Chapter II (B)(9)(d)(v)

I. Policy and Goal Setting

The Duke Energy Foundation, the philanthropic arm of Duke Energy (which includes Duke Energy Ohio), does not issue policy statements for the corporation per se, but does establish Duke Energy Foundation policies as approved by The Duke Energy Foundation Trustees. The Duke Energy Foundation supports the stewardship objective in the Duke Energy charter.

The goal of The Duke Energy Foundation is to use corporate contributions wisely to support our objective of being viewed as an engaged corporate citizen in the communities we serve and in which we are located to:

- Build strategic relationships that support our business objectives
- Build our brand
- Strengthen / give back to communities where we are a major presence
- Support employee volunteerism and a culture of community involvement

II. Strategic Planning

Strategic planning for The Duke Energy Foundation begins with a review and understanding of relevant community needs as well as company strategic plans, including the US Franchised Electric & Gas unit's business plan, which is updated at least annually, but more often as needed. The plans are also informed by best practice research, workshops, and conferences and benchmarking information. Additionally, external sources are monitored for emerging issues that could impact our charitable giving decisions. Regular staff meetings, and meetings of the Community Relations Network, are held to discuss pending issues and to decide what items require attention and the timeframe under which the issue is to be addressed. Where appropriate, outside consultants assist in the development of plans and programs. The Foundation Trustees review and approve strategic areas of focus, policies and the overall contributions budget.

III. Organizational Structure

The Foundation reports to the Chairman, President and CEO but maintains an independent governance process. The Vice President of Sustainability and Community Affairs also serves as President of the Duke Energy Foundation. The Director of Corporate Community Relations, who reports to the Senior Vice President of Sustainability and Community Affairs, is the Vice President of the Duke Energy Foundation. The Duke Energy Foundation Managers serves as the Secretary, and the Treasurer is from the Treasury Department. Legal provides Duke Energy Foundation legal support, and the tax department files the Duke Energy Foundation taxes.

The organization chart for the Duke Energy Foundation is attached as exhibit DEF-1.

IV. Responsibilities

The Duke Energy Foundation is the independent, 501(c)3 entity that distributes Duke Energy's charitable contributions. Funded by Duke Energy Corporation shareholders, it seeks to help fulfill the corporation's commitment to be a leading corporate citizen, while supporting business objectives through strategic philanthropy and providing certain tax benefits to Duke Energy.

The Corporate Community Relations organization has general charge of the governance, strategy, controls and systems related to philanthropic giving, including the Duke Energy Foundation. This includes the processing of grants from charitable not-for-profit organizations for Duke Energy Ohio's service territory and also funds programs to stimulate employee volunteerism and giving.

As part of the overall governance structure, roles and responsibilities are clearly defined as follows:

The Duke Energy Foundation is governed by The Duke Energy Foundation Trustees who are named by the CEO from executive leadership. They:

- Establish overall Foundation policies and areas of focus
- Establish annual giving level
- Review / approves major gifts
 - Grant requests over \$100K
 - Multi-year commitments
- Meet twice / year and can approve major grant requests via e-mail

The Duke Energy Foundation Officers:

- Recommend and manage Foundation policies / programs
- Ensure strong governance and control processes
- Central resource for giving records / budget to date
- Back office to all contributions
- Member of all Regional Contributions Councils

- Manage Corporate allocation of annual giving budget
- Serve as expert resource in negotiation with non-profits to extract greatest value and build / protect our brand
- Serve as staff to Trustees / Executive Leadership on contributions requests

Regional Contributions Councils, composed of the local business unit President and business and community relations leaders named by the business unit president, operate in Ohio/Kentucky, Indiana, Carolinas and Corporate/Charlotte. They:

- Establish regional giving plan and allocation (including UW)
- Evaluate local grant requests. Approves grants from allocation up to limits of authority. Seeks Trustee approval of major gifts
- Meet quarterly or as needed
- Consult with Foundation on comparables and ways to leverage opportunities
- Maintain strong governance / record keeping
- Coordinate/communicate with other regional contributions councils on grant decisions

V. Practices and Procedures

The Duke Energy Foundation supports projects and programs of organizations that qualify as charitable, not-for-profit, 501(c)(3), tax-exempt organizations, under the Internal Revenue Code guidelines. Grants are for specific projects or designated programs that encourage initiative, creativity and collaboration by contributing to the total well-being of the community in three areas: (1) Environment and Energy Efficiency, (2) Economic Development, and (3) Community Vitality. Diversity and employee volunteerism underpin all areas of focus.

Requests are made online at: www.duke-energy.com. The requests are received into the electronic system (called the Giving System provided by a third party vendor, the JK Group). The requests are routed to the appropriate internal reviewer for consideration (e.g. Customer/Business Relations Manager, Area/District Field Manager and/or Generating Station Manager), who, will mark for approval or decline the request.. Grants marked for approval are then routed in the system for subsequent review based on the established delegation of authority, and ultimately are reviewed and approved by Duke Energy Foundation officers. Organizations receive either award or decline letters via e-mail, and the actual checks are usually hand delivered by local Duke Energy contacts.

- All grants include an internal Duke Energy business "sponsor", a clear reason for making the contribution that relates to the areas of focus, and regular reports on the measurable results of the project.
- If the grant is for \$20,000.00 or more, a Memorandum of Understanding is signed by the organization and approved by the Duke Energy Foundation prior to making the commitment.

- Employees that are active in an organization or serve the organization in a leadership capacity are precluded from approving/voting on a grant request for the related non-profit organization per our Conflict of Interest Policy.
- Internal procedures are followed as required by the Internal Auditing Department to audit bank statements and fund appropriations to ensure that Duke Energy Foundation funds are being properly disbursed.

VI. Decision Making and Control

Day-to-day decisions for distributions are made by the President, Vice President or Manager of the Duke Energy Foundation, by Duke Energy Business or by field leaders (Customer Relations Managers and Generating Station Managers), who are provided with budgets to use throughout the year. A Duke Energy Foundation officer has final approval on all grant distributions from The Duke Energy Foundation. Delegation of Authority (DOAs) have been established for several levels, including the sponsor level (typically field managers), sponsor's manager, key community relations managers, Foundation Manager, Foundation VP and Foundation President. All multi-year grants and any grant request over \$100,000 are reviewed and approved by The Duke Energy Foundation Trustees.

The Foundation is involved in both proactive and reactive issues and consults frequently with management and expert technical personnel from other departments to determine appropriate responses. Major decisions are reviewed with senior management for input and concurrence.

Duke Energy Foundation control processes include:

- Contributions Conflict of Interest Policy
- Detailed grant requests / "memorandum of understanding" for all requests \$20K and above
- Internal sponsorship of grant requests
- Segregation of duties between Trustees/Regional Councils/Foundation in approving grant requests; clear Delegation of authority
- Check printing and distribution performed by independent contractor
- Monthly review of all disbursements by Foundation Manager
- Investment of Foundation assets by Treasury Department
- Foundation bank reconciliation by Corporate Accounting
- Internal Audit of Foundation

VII. Internal and External Communication

The Duke Energy Foundation maintains a website on duke-energy.com. Through this website, The Duke Energy Foundation publicizes its policies and guidelines for grant requests. Additional information on Duke Energy philanthropic programs and community initiatives is also included. The areas of focus and guidelines for grant requests are attached in Exhibits FND-1 and FND-2.

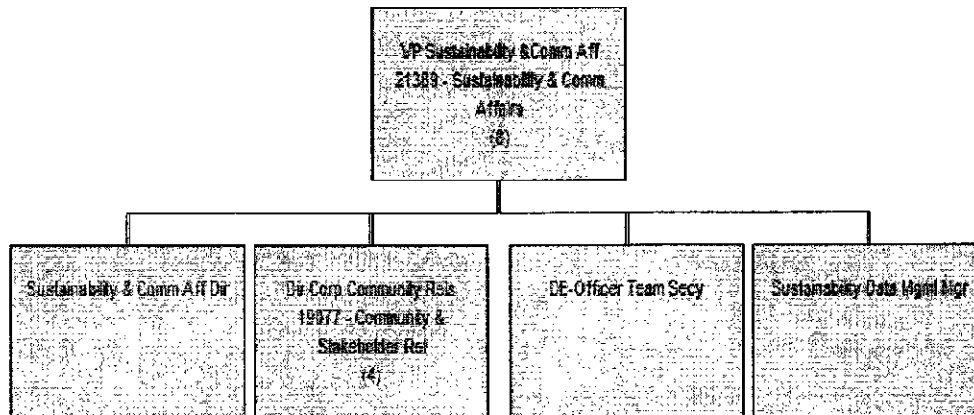
VIII. Goal Attainment and Qualification

Goal Attainment and Qualification is subjective. The goal of The Duke Energy Foundation is to use corporate contributions wisely to support our objective of being viewed as an engaged corporate citizen in the communities we serve.

Obtaining quantifiable results in this area is hard to measure. However, for grants of \$20K or more, The Duke Energy Foundation requires a memorandum of understanding, with identified goals and a required project evaluation. These evaluation reports are reviewed by the appropriate internal sponsor and by The Duke Energy Foundation manager, VP and/or President

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Vice President Sustainability and Community Affairs



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
OFFICE OF THE GENERAL COUNSEL
SFR Reference: Chapter II(B)(9)(e)(ii)

I. Policy and Goal Setting

The Office of the General Counsel (OGC) does not set Company policy for Duke Energy. However, it does serve in an advisory capacity to management on pre- and post-policy establishment, interpretation and administration and it supports the corporate policies found in the Working Environment Policy Manual and the Code of Business Ethics (reference Exhibits CSUM-3 and CSUM-5). In addition, the Office of the General Counsel frequently reviews policies for compliance with state and federal law and agency regulations. Company policies are communicated to OGC employees in both written and oral fashion and at Departmental staff meetings.

Team goals are developed each year through a process that identifies key targets and success factors, weighs them and combines them with desired individual and corporate financial goals. At the end of each year, achievements are evaluated and incentives are awarded proportionate to the level of overall achievement.

Departmental policies and procedures are promulgated by the Chief Legal Officer upon the Chief Legal Officer's own initiative or with input and advice from the attorney staff.

II. Strategic Planning

The executive management of the Company has the primary responsibility for establishing the Company's strategic plan. The Office of the General Counsel's primary function with regard to the strategic plan is to advise management with respect to compliance with state and federal law and agency regulations and otherwise to provide material legal assistance in achieving the strategic plan. In addition, goals and programs are established within the OGC to support the Company's strategic plan.

III. Organizational Structure

The OGC is divided into nine functional sections, each headed by an executive with substantial experience in their respective area. These sections are: 1) Corporate Audit Services; 2) Corporate Secretary, Ethics & Compliance; 3) Securities and Financial Reporting; 4) US Franchised Electric & Gas; 5) Executive Compensation & Benefits; 6) Corporate Legal Services; 7) Commercial Businesses Corporate Development; 8) Office of General Counsel Operations Business Operations; and 9) Human Resource . These section heads and an executive administrative coordinator report directly to the Chief Legal Officer.

The legal function of the OGC is centralized, with approximately 40 attorneys providing a range of legal services across the Company. Timekeeping requirements have been implemented in order to allocate time and costs accurately.

The legal function of the OGC includes attorneys, paralegals, contract administrators, legal administrative assistants, a state regulatory compliance manager, contractors and legal and administrative support personnel. OGC also employs summer law clerks from time to time. All OGC personnel are executive, managerial, supervisory, administrative or professional employees. The Chief Legal Officer has responsibility for the management and activities of the OGC. The Chief Legal Officer, who is also a Duke Energy Executive Vice President, reports directly to the President and Chief Executive Officer of Duke Energy

An organizational chart is attached as Exhibit LG-1.

IV. Responsibilities

The legal functions within the OGC serve as counsel and provide legal services for the Boards of Directors, officers and employees when they are acting on behalf of the Company during the course of their performance of job-related duties. Such services include, but are not limited to:

- Providing general legal research and advice on matters which may arise in the course of the Company's business;
- Reviewing the legal aspects of Company operations for compliance with federal, state and local statutes and regulations; including those of the New York Stock Exchange;

- Promptly notifying appropriate personnel of any changes necessitated by administrative or judicial decisions or by the enactment or adoption of new or revisions to existing statutes or regulations;
- Developing and implementing preventive law programs and written Company and/or policies of the Office of the General Counsel in areas such as antitrust compliance, employment, compliance with the securities laws of the U.S. (including the Sarbanes-Oxley Act of 2002), OSHA and in other areas where appropriate;
- Initiating or responding to inquiries regarding review of or recommendations concerning Company policies and procedures;
- Assisting Company officers and personnel in due diligence investigations with respect to, and the preparation, negotiation and finalization of preliminary and definitive agreements for, mergers and acquisition transactions and joint ventures and other major transactions, as well as assisting in the preparation, negotiation and finalization of contracts encompassing the various functional areas of the Company's business;
- Assisting Company officers and personnel in protecting valuable intellectual property of the Company;
- Drafting documents and providing legal support for transactions for the Company;
- Reviewing and advising on contractual obligations of the Company; and
- Representing the Company in regulatory and judicial proceedings by acting as counsel or by monitoring and directing outside counsel engaged for such purpose.

Generally, each functional section has specific areas of responsibility as follows:

1) Audit Services Section

Corporate Audit Services provides an independent assurance function for the purpose of advising and assisting all levels of management and the Audit Committee of the Board of Directors with objective evaluations, appraisals, and recommendations concerning the organization's activities and internal control structure. Corporate Audit Services provides these services through audits, reviews, other assurance projects and investigations for Duke Energy Corporation and its majority-owned subsidiaries and affiliates.

2) Corporate Secretary, Ethics & Compliance Section

The Corporate Secretarial section performs corporate secretarial functions on behalf of Duke Energy and its subsidiaries. These functions include coordinating annual meeting of shareholders, assisting in execution of required filing with the New York Stock Exchange, planning and coordinating board meetings, drafting and maintaining board of director meeting minutes, drafting and maintaining board resolutions, maintaining corporate structure charts, and coordinating the naming of officers and directors of Duke Energy and its subsidiaries as well as complete annual filings for each company. The Corporate Secretarial Section also assists in execution of corporate transactions, including entity formation and dissolution, mergers, conversions and sales. The section head of this section reports directly to the Group Executive and Chief Legal Officer of Duke Energy. The General Counsel's Ethics and Compliance Officer also resides in this section.

3) Securities and Financial Reporting

The Securities & Financial Reporting Legal Department serves as counsel and provides legal services for the Boards of Directors, officers and employees when they are acting on behalf of the Company during the course of their performance of job-related duties. Such services include, but are not limited to:

- Advice on and compliance with the federal securities laws
- Advice and assistance with periodic and current reports, proxy statements, information statements, and other SEC filings
- Support with respect to meetings of shareholders
- Advise and support with respect to the responsibilities of the Board of Directors
- Advice on and compliance with the Sarbanes-Oxley Act of 2002
- Advice on and compliance with the New York Stock Exchange regulations
- Assistance in financing transactions, including sales of registered and unregistered securities, bank borrowings, issuances of guarantees, lease transactions and other financing transactions
- Assistance in compliance and ethics matters, including investigations of potential improprieties
- Legal support for the Treasury, Controller, Corporate Secretary, Investor Relations, Corporate Communications and other Company department

4) US Franchised Electric & Gas Section

Counsel in the Office of the General Counsel's US Franchised Electric and Gas section provides legal services to the Company's US Franchised Electric and Gas (USFE&G) business. USFE&G manages the Company's regulated operations and utility operating companies, including DUKE ENERGY OHIO, Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc. and Duke Energy Carolinas, LLC. The USFE&G Section represents these utilities before all state and federal regulatory bodies in proceedings determining the rates and tariffs applicable to regulated gas and electric service. Duties in rate cases involve the entire gamut of case preparation and development and of case strategy in conjunction with Rates and Regulatory Accounting Department personnel. This section also functions as trial counsel. Its responsibilities also include territorial matters, customer relations and demand side management issues. Counsel is also involved in integrated resource planning, regulatory licensing and permitting of utility facilities and in the negotiation and review of special contracts. Counsel in this section are also responsible for representing the Company in rulemakings, roundtables and other policy-setting initiatives of the respective state regulatory agencies, the Public Utilities Commission of Ohio, the Kentucky Public Service Commission, the Indiana Utility Regulatory Commission, the North Carolina Utilities Commission, the Public Service Commission of South Carolina, the Federal Energy Regulatory Commission, and the Federal Communications Commission.

Additionally, counsel supports gas procurement, including negotiation of contracts with interstate pipeline suppliers and with producers of natural gas, representation of the Company before the Federal Energy Regulatory Commission in proceedings involving pipeline suppliers, and advising senior management on policy development and implementation in accordance with applicable federal and state statutes and regulations. Counsel in the Nuclear Generation section of USFE&G provide legal advice on all nuclear regulatory matters, including regulatory compliance issues, new nuclear plant licensing, communications with the Nuclear Regulatory Commission, and nuclear fuel contracts. This group also supports the Nuclear Oversight Committee of the company's Board of Directors.

The continually evolving nature of this area of law requires constant monitoring of all regulatory agencies in the states in which Duke Energy's utility operating companies do business.

5) Executive Compensation & Benefits Section

The Company's Executive Compensation and Employee Benefits attorneys provide legal services to the Company to ensure compliance with applicable laws relating to executive compensation and employee benefits, including advice relating to the design and operation of the Company's retirement and welfare plans and executive compensation programs and the Company's compensation and benefits strategy.

6) Corporate Legal Services Section

Counsel in this section address labor & employment, environmental health and safety, commercial operations, litigation and discontinued operations matters on behalf of the Company. Litigation counsel represent the Company in actions involving commercial transactions, personal injury, property damage, alleged statutory or regulatory violations (except alleged violations under the jurisdiction of the various state utility commissions and the FERC) and employment and labor disputes. They are responsible for the disposition of each claim brought against the Company, whether by denial, acknowledgment, settlement or trial, through their personal efforts or by selecting and supervising outside counsel to conduct the case.

They coordinate investigative efforts, witness interviews, testimony and exhibit preparation and formulation of strategy in every case. They also train Company personnel in investigative techniques and counsel management and employees involved in claims actions.

Counsel in this section also handle the areas of credit and regulations, with primary responsibility for representing the Company in all credit and collection related matters including bankruptcy cases, and preparation of testimony and exhibits for trial. This section also deals with revenue recovery, theft of energy, and security issues, preparing and overseeing implementation of all security procedures.

Counsel for environmental matters has responsibility for all environment-related issues, primarily compliance with the myriad federal and state laws and regulations. Counsel also advises on licensing and the siting of utility facilities. This entails representation of the Company before federal and state agencies and courts, when necessary, filing required documentation and pleadings, and directing outside counsel assisting the Company in these matters.

Counsel in this Section also provides advice on laws relating to Safety and Health, including but not limited to advising management on compliance with OSHA and relating laws, representing or overseeing the representation of the Company before OSHA, in workers' compensation proceedings, and in court.

Counsel for Commercial Operations have responsibility for all commercial contract and transactional work involving the Company that is not a merger or an acquisition of an entire company (as opposed to individual assets). They are responsible for drafting, reviewing and negotiating commercial contracts related to all aspects of the company including, construction, engineering services, procurement of coal, gas, nuclear fuel, limestone and lime, rail and barge transportation, software licensing, long and short term power purchases or sales, and capital expenditures at the generating stations. In addition, the Commercial Operations group is involved in negotiating agreements to acquire or dispose of Company assets such as acquiring new generation or selling existing generation. They also assist the Company personnel with resolving contract disputes with and nonperformance by third party suppliers. Finally, they handle all real estate matters for the company including easements and right of ways related to transmission or gas lines and buying and selling real property.

Employment and labor law counsel provide legal services to Company management to ensure compliance with federal, state, and local labor and employment laws. They are responsible for preparing necessary documentation, advising management proactively on compliance with labor and employment laws, providing preventive law training, and when necessary, defending the Company in litigation and administrative proceedings for labor and employment disputes. Employment and labor law counsel also provides primary responsibility for the following functional areas:

- Labor Law, including but not limited to advising Labor Relations and management, representing the Company in labor arbitrations, and before the National Labor Relations Board;
- Employment Law, including but not limited to the Title VII of the 1964 Rights Act, the Fair Labor Standards Act, the Americans with Disabilities Act, the Family Medical Leave Act, the Age Discrimination in Employment Act, the Health Insurance Portability and Accountability Act, the Uniformed Servicepersons Employment and Reemployment Rights Act and similar federal and state laws, as well as representation before the EEOC, Department of Labor, and other such agencies;

- Employment Immigration;
- Workplace Violence and related preventive security matters; and
- Corporate Transactions support through due diligence assistance and documentation preparation relating to labor and employment law matters.

7) Commercial Businesses, Corporate Development Section

Counsel in the Commercial Businesses, Corporate Development section provides legal services to the Company's Commercial Businesses, Corporate Development organizations and international businesses. Counsel in this section provide legal services to support the Duke Energy Ohio's fleet of generating facilities including wholesale electric energy, coal, emission allowance and natural gas purchase, sale, trading and origination business. These services include contract preparation, negotiation support, contract interpretation, and deal support for proposed and existing transactions within Duke Energy Ohio's wholesale energy business. Other services include coordinating transactional and other legal services (e.g. regulatory, environmental, etc.) in connection with (i) Duke Energy Ohio's generating facilities and (ii) Duke Energy Generation Services, Inc., which engages in a cogeneration and nonutility development and acquisition business. International services include coordinating transactional and other legal services (i.e. regulatory, environmental, etc.) in respect of Duke Energy International generating assets located in Latin America, Central America, Greece, and Saudi Arabia. Mergers & acquisitions services include coordinating and managing legal services regarding commercial transactions involving mergers, dispositions, acquisitions or other business combinations for Duke Energy.

8) Office of General Counsel Business Operations

The Business Operations group provides administrative and operational support to the Office of the General Counsel. Its main functions include, but are not limited to, the following:

- Manage the budget for the Office of the General Counsel.
- Report variances on a monthly basis and conduct related analyses.
- Maintain all financial records.
- Pay and process Outside counsel invoices for the Office of the General Counsel.
- Maintain relationship with Outside Counsel firms through engagement letters and contracts.

- Manage timekeeping of legal department staff.
- Manage support personnel including paralegals, administrative assistants and contract labor.
- Coordinate legal facilities requirements.
- Monitor and ensure department compliance with SOX requirements.
- Manage the planning, acquisition, testing, implementation, maintenance, user training and support of department technology.
- Manage implementation of performance metrics for Legal department.
- Provide support to the OGC Budget Committee, Technology Committee and Personnel Committee.

9) Human Resources

Human Resources assist the Company in achieving its business goals by facilitating the acquisition, development and maintenance of an efficient and productive workforce. Human Resource Department's sub-departments include the following:

- Staffing and Recruiting
- Organizational Development
- Labor Relations
- Employee Relations and HR Risk Management
- Compensation and Benefits
- Diversity, Inclusion and Workforce Strategies

Responsibilities of other legal functions within the OGC are as follows:

Paralegals

The paralegals each have specific assignments within one or more of the functional sections. They are directly responsible to the section head and the attorneys in each section for their substantive workload and for assignment of day-to-day activities performing research, both manual and computerized, preparing pleading and document filings, and tackling any other tasks assigned by the attorneys.

Legal Administrative Assistants

The legal administrative assistants are assigned to two or more attorneys and a paralegal or law clerk. They perform secretarial duties including typing, scheduling and organizing for the attorneys, paralegals and law clerks.

Legal and Administrative Support Personnel

The legal and administrative support personnel provide document and administrative support for lawsuits, alternative dispute resolutions, regulatory cases and any other cases requiring such services. Designated individuals also assist with timekeeping, bill processing, library maintenance, budgeting, and computer training for the department.

Contractors

The Legal Department employs contractors as necessary to address peak workload situations and to help manage permanent employee levels. Contractors can include, from time to time, lawyers, paralegals and administrative support personnel.

V. Practices and Procedures

The Chief Legal Officer maintains responsibility for the assignment of major cases or projects, budgeting and personnel decisions, and the overall management of the department. The Chief Legal Officer is also responsible for giving performance reviews for those staff members under the Chief Legal Officer's direct supervision, and reviewing the appraisals performed by the heads of each of the functional sections.

The attorneys within each section work independently or in collaboration, as appropriate, on matters assigned to them within their areas of expertise and responsibility. To maintain continuous service to all departments, counsel within each section back-up each other to provide assistance when necessary and all counsel are encouraged to coordinate with and work closely with attorneys in other sections, when appropriate. Regularly scheduled weekly meetings between the Chief Legal Officer and the Chief Legal Officer's direct reports are forums for reviewing present cases, resolving issues, addressing administrative support, and updating each other on recent developments and news affecting the department or the Company as a whole. Regular meetings are also held within each section for similar purposes. Other meetings are called when necessary to address particular

issues, problems or concerns, which may then be assigned for study, resolution or recommendation of an appropriate course of action.

Access to computerized research databases, such as Lexis contributes to the productivity of the attorneys. All professional staff members make every effort to keep current with developments in their areas of expertise and responsibility by reading the publications to which the department subscribes, and through participation in seminars and workshops conducted by nationally recognized and accredited organizations and associations. Continuing Legal Education (CLE) requirements are closely monitored, and all attorneys are expected to fulfill all requirements each year.

Outside counsel is carefully selected based upon, among other factors, need, expertise, reputation and cost. They are required to provide billing details for scrutiny and are evaluated periodically for performance and cost. Invoices for legal counsel procured by OGC are reviewed by the Legal Department for accuracy and to validate the level, quality and efficiency of the work being performed.

VI. Decision Making and Control

The responsibilities for decision making rest with the organizational level that has:

- The information to effectively implement the decision;
- The necessary facts to apply sound judgment based on Company policies, procedures, and directives; and
- The authority to take effective action.

The Legal Department acts in an advisory capacity to other departments, but the decision to use inside or outside counsel is made by the Legal Department. If outside counsel is obtained, the Legal Department manages their work.

In addition, the Legal Department manages the Company's activities in judicial and administrative proceedings.

VII. Internal and External Communication

The department maintains open channels of communication for exchange of information and ideas through several media. In addition to the bi-weekly section head meetings, full staff meetings are held periodically, and periodic meetings are conducted with the administrative staff. In addition, meetings are held as appropriate

to communicate to the entire department special issues which cannot be timely addressed in staff meetings.

These methods are designed to disseminate information to all members of the department.

The Legal Department staff participates in interdepartmental meetings and also meets with non-company representatives (entities outside the Company) on an ongoing basis, as necessary. If a legal matter comes to the attention of someone in another department, the Legal Department staff make themselves available to advise on such matters. Communications and legal opinion may be communicated orally or in writing, depending on the particular situation.

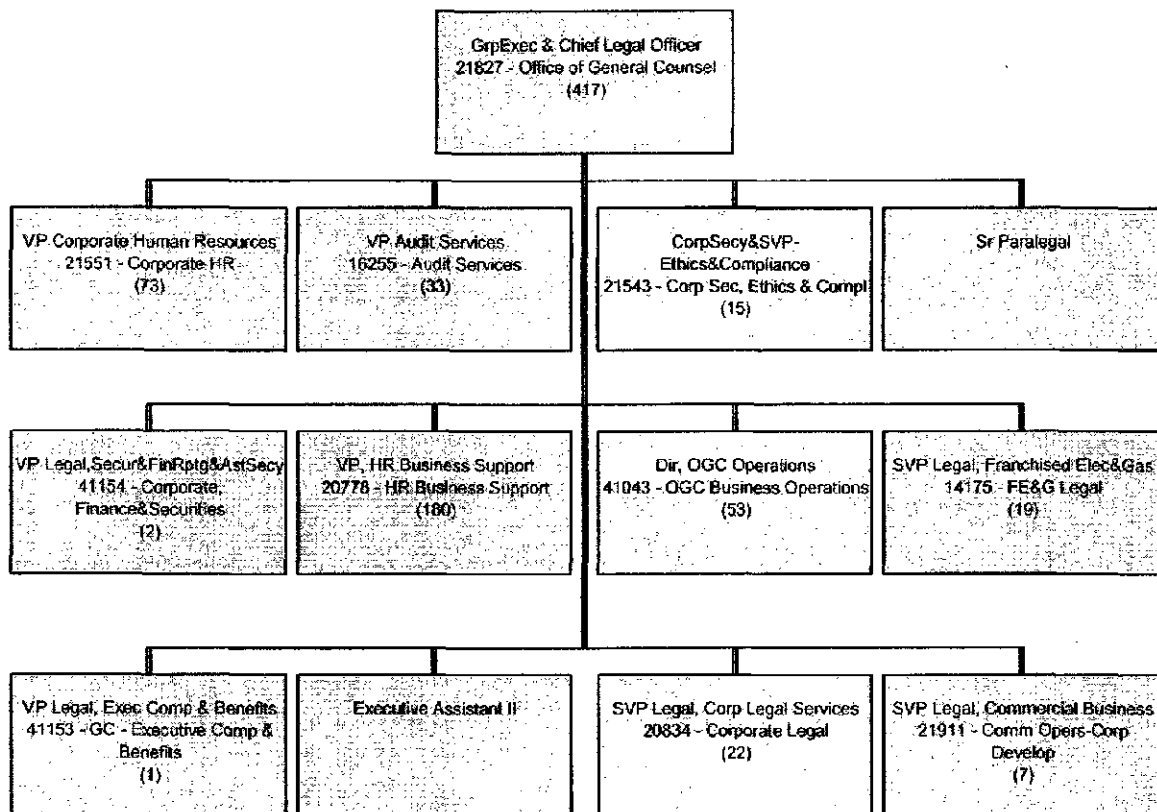
VIII. Goal Attainment and Qualification

Due to the individualized and independent nature of attorneys' work, readily quantifiable means of measuring performance are difficult to construct. The effectiveness of the attorneys is reflected in the successful conclusion of a case or hearing, in a favorably revised statute or regulation, and in the positive feedback from Company departments and outside firms with whom they work.

All attorneys, law clerks, paralegals, secretaries, and all other support staff are given performance reviews each year, which indicate individual achievements of the past year and set goals for the following year. Although working in individual capacities, each member of this department strives to assist the department as a whole in its efforts to reach the goals and objectives outlined in Section I above, and to provide the highest quality legal counsel and services to the Company.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Group Executive and Chief Legal Officer



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
INTERNAL AUDIT SERVICES
SFR Reference: Chapter II(B)(9)(b)(vi)

I. Policy and Goal Setting

The Company has an internal audit function (Corporate Audit Services) with approximately 40 in-house personnel. Audit Services engages external professional services firms for expertise and supplemental resources, as required.

Audit Services' policies and goals are outlined in the Company's Corporate Audit Services Charter and Policy (Policy)- Exhibit IA-2. The overall goal of Corporate Audit Services, as outlined in the Policy, is to provide an independent, objective assessment of the Company's activities and internal control structure to all levels of management and the Audit Committee of the Board of Directors.

II. Strategic Planning

Corporate Audit Services conducts a risk planning process annually to create an annual audit plan. Input into the audit plan includes interviews with management, initiatives, systems and process changes, and industry trends and developments. The plan is updated, as required, based on developments within the Company. The annual audit plan is formally approved by the Audit Committee of the Board of Directors.

III. Organizational Structure

Corporate Audit Services is led by the Vice President of Audit Services, who reports functionally to the Audit Committee and administratively to the Group Executive / Chief Legal Officer. Directors and managers reporting to the Vice President are generally aligned with individual business units or corporate areas; however, staff persons are pooled and are not aligned to individual business units or corporate areas.

The Audit Committee reviews the experience and qualifications of Audit Services' personnel annually.

An organization chart for Corporate Audit Services is presented as Exhibit IA-1.

IV. Responsibilities

The objective of the Corporate Audit Services Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning properly. To accomplish this objective, the Corporate Audit Services Department will:

- Examine and evaluate the adequacy of design, documentation, and effectiveness of the system of internal control throughout Duke Energy and the quality of performance in carrying out assigned control responsibilities
- Assist management in the assessment of business risks and in the identification of cost beneficial modifications of internal controls to mitigate risks, including potential fraud, to acceptable levels
- Assist management in providing reasonable assurance that Duke Energy's objectives and goals will be met efficiently and economically
- Interact with various Duke Energy governance groups as required
- Evaluate the means of safeguarding assets and, as appropriate, verify their existence
- Review compliance with established laws, regulations, and policies and procedures, as appropriate
- Conduct selected special audits and consulting projects at the request of management, as appropriate, or the Audit Committee
- Communicate opportunities for improving management control, profitability, and the organization's image to the appropriate level of management and to the Audit Committee
- Follow-up on outstanding audit matters and reportable conditions to validate that these issues are being resolved appropriately and timely

The specific responsibilities of the Corporate Audit Services Department are to:

- Develop an annual audit plan using an appropriate risk-based methodology, incorporating significant risks or control concerns identified by management
- Execute the annual audit plan, as approved, including any requested special audits or projects as appropriate
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and relevant professional certifications to perform its responsibilities
- Work collaboratively with the Company's external auditors to ensure appropriate risk coverage
- Report the results of its work to management in a timely manner
- Assist in the investigation of significant suspected fraudulent activities within the organization and report the results to management and the Audit Committee

- Maintain and administer a rigorous follow-up process to ensure that committed management actions to address audit issues are properly and timely executed or that Senior Management has accepted the risk of not taking action
- Discharge these responsibilities in a manner consistent with the purpose and objectives set forth in the Policy, with the Duke Energy Code of Business Ethics and Duke Energy Charter, and with the Code of Ethics and Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors

In accordance with the Policy, Corporate Audit Services' personnel do not have direct responsibility for developing and installing procedures, preparing records, or engaging in any other activity that the department would normally audit, except when approved by the Audit Committee or in the event of emergency (i.e. call center activities during ice storm).

V. Practices and Procedures

Corporate Audit Services executes its audits and other reviews of financial, operational, information technology, and environmental, health, and safety management system areas using its methodology that prescribes guidelines for audit planning, execution, reporting, and follow-up.

Audit Services also performs Design Effectiveness Reviews (DERs) of certain projects to identify and address key control issues prior to implementation. Guidelines for DERs have also been established.

VI. Decision Making and Control

Roles and responsibilities with regard to audit projects are defined by Corporate Audit Services' methodology. Generally, the manager provides overall management for the audit projects, including audit scope, objectives, issue resolution, and communications (including reporting). The in-charge auditor and other team members support the manager throughout the project. Significant observations are communicated to the directors, and if critical to the Vice President. Final reports are reviewed by the appropriate manager, director and Vice President.

As noted above, the Audit Committee reviews and approves the annual audit plan and receives periodic updates on the audit plan status, significant audit conditions, progress on the remediation of significant open conditions, and the overall Corporate Audit Services' performance (annual only).

Administrative matters are addressed by the Vice President, in conjunction with the Chief Legal Officer (administrative report) and the Vice President's leadership team, as appropriate.

VII. Internal and External Communication

Corporate Audit Services personnel, in the performance of their duties and responsibilities, interface frequently with personnel within the Company.

Corporate Audit Services reports the results of its audits and other projects using standard templates or memoranda (depending upon the nature of the project). The reports include the conditions and their prioritization, management responses, and planned remediation dates. The reports are addressed to the appropriate process owners, and the report distribution includes the Chief Legal Officer, the Chief Financial Officer, the Corporate Controller, the Internal Controls General Manager, the Chief Information Officer (if IT-related) and management of the process owner up to and including the Chief Executive Officer.

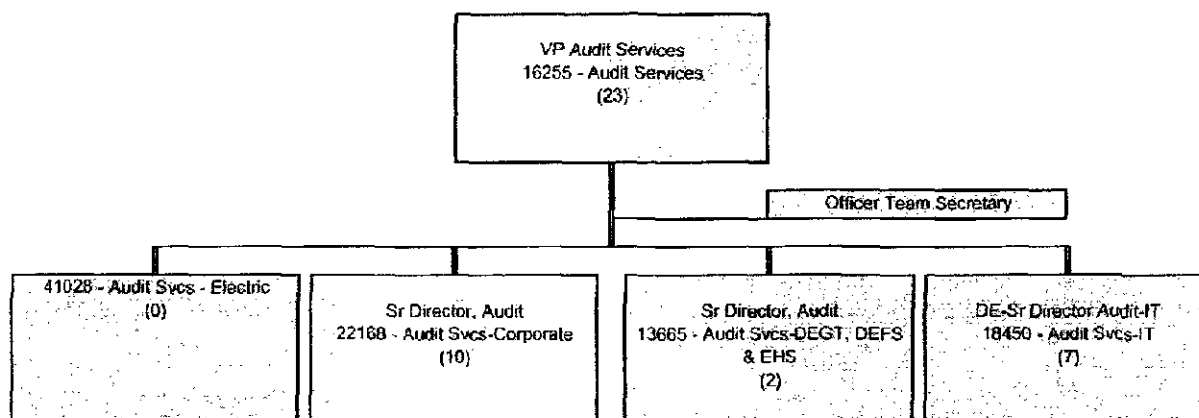
Corporate Audit Services provides periodic updates to the Audit Committee as noted above.

VIII. Goal Attainment and Qualification

Performance is measured by the successful completion of the annual audit plan (amended as required), by the timely resolution of open audit conditions, and the results of annual surveys to management that gauge overall performance. Corporate Audit Services may also periodically review timeliness of report issuance and departmental financial results as performance indicators.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Vice President Audit Services



Audit Services Policy

Applicability: Applies to Enterprise
Originator: Corporate Audit Services
Approval: Group Executive & Chief Legal Officer; Audit Committee

Effective Date: 01/01/2007
Revision Date: 02/26/2007
Reissue Date: 04/04/2006

Vision

Duke Energy's Corporate Audit Services Department delivers world-class internal audit services that enable Duke Energy to achieve superior performance. In conjunction with the delivery of these services, Corporate Audit Services will:

- Champion Strong Controls
- Drive Effective Risk Management
- Enhance Operational Efficiency
- Foster Compliance
- Facilitate Constructive Change
- Develop Future Duke Energy Leaders

Statement of Purpose and Philosophy

It is the policy of Duke Energy, including its subsidiary business units and affiliates, to provide and support a strong internal audit department as an independent assurance function for the purpose of advising and assisting all levels of management and the Audit Committee of the Board of Directors with objective evaluations, appraisals, and recommendations concerning the organization's activities and internal control structure.

Duke Energy management, including the Board of Directors and the Audit Committee of the Board of Directors, supports and expects a capable and independent internal audit function. This is part of Duke Energy's strong commitment to an effective internal control environment and related risk assessment structure and represents the tone at the top that is critical to effective governance and internal controls.

Policy Expectations

The objective of the Corporate Audit Services Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning properly. To accomplish this objective, the Corporate Audit Services Department will:

- Examine and evaluate the adequacy of the design, documentation, and effectiveness of the internal control system, as defined below, throughout Duke Energy, including its subsidiary business units and affiliates, and the quality of performance in carrying out assigned control responsibilities
- Assist management in the assessment of business risks and in the identification of cost beneficial modifications of internal controls to mitigate risks, including potential fraud, to acceptable levels
- Assist management in providing reasonable assurance that Duke Energy's objectives and goals will be met efficiently and economically
- Interact with various Duke Energy governance groups as required
- Evaluate the means of safeguarding assets and, as appropriate, verify their existence
- Review compliance with established laws, regulations, and policies and procedures, as appropriate
- Conduct selected special audits and consulting projects at the request of management, as appropriate, or the Audit Committee
- Communicate opportunities for improving management control, profitability, and the organization's image to the appropriate level of management and to the Audit Committee
- Follow-up on outstanding audit matters and significant deficiencies/material weaknesses to validate that these issues are being resolved appropriately and timely

Duke Energy has adopted the Committee of Sponsoring Organizations (COSO) framework of internal control. Internal control is a process affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives ("control objectives") in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Audit Services assesses risk and controls in accordance with the COSO framework.

Accountability: Roles and Responsibilities

The Corporate Audit Services Department must maintain independence and objectivity in their work. In order to maintain this independence, the Corporate Audit Services Department reports functionally to the Audit Committee of the Board of Directors and administratively to the Group Executive and Chief Legal Officer. This reporting relationship is designed to provide sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action regarding audit observations.

With respect to audit matters, the Corporate Audit Services Department is authorized to:

- Have full and unrestricted access to all Duke Energy (including subsidiary business units and affiliates) functions, records, property, and personnel, and may make direct contact with any level of management
- Communicate directly with the Audit Committee, as needed
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives
- Obtain the necessary assistance of personnel in units of the organization where audits are performed, as well as other specialized services from within or outside the organization

The Corporate Audit Services Department will not perform any activities that conflict with the internal audit function's authorized responsibilities or impair the function's independence and objectivity.

The responsibilities of the Corporate Audit Services Department are to:

- Develop an annual audit plan using an appropriate risk-based methodology, incorporating significant risks or control concerns identified by management, and communicate the plan to the Audit Committee. This plan may be modified, as appropriate, for changing or emerging business risks or issues. Modifications that significantly alter the nature of collective audit and risk coverage provided under the plan must be reviewed and approved by the Audit Committee.
- Implement the annual audit plan, as approved, including any requested special audits or projects as appropriate
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and relevant professional certifications to perform its responsibilities
- Work collaboratively with the Company's external auditors to ensure appropriate risk coverage
- Report the results of its work to management in a timely manner
- Assist in the investigation of significant suspected fraudulent activities within the organization and report the results to management and the Audit Committee
- Maintain and administer a rigorous follow-up process to ensure that committed management actions to address audit issues are properly and timely executed or that Senior Management has accepted the risk of not taking action
- Discharge these responsibilities in a manner consistent with the purpose and objectives set forth in this policy, with the Duke Energy Code of Business Ethics and Duke Energy Charter, and with the Code of Ethics and Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors

The responsibilities of business unit or functional area management are to:

- Establish and maintain a strong and effective system of internal controls consistent with the COSO framework, including an appropriate tone at the top
- Develop and execute appropriate timely action plans to address issues or risk exposures communicated by Corporate Audit Services
- Provide full and unrestricted access to all Duke Energy (including subsidiary business units and affiliates) functions, records, property, and personnel
- Provide any necessary assistance or resources to Corporate Audit Services personnel to facilitate the execution of their responsibilities

DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
ETHICS AND COMPLIANCE
SFR Reference: Chapter II(B)(9)(b)(vi)

I. Policy and Goal Setting

The Ethics and Compliance Group supports the corporate policies as are found in the Code of Business Ethics and ensures that Duke Energy is in compliance with state and federal agency regulations. Company, federal and state policies are communicated to employees in written and oral fashion, through formalized training and at departmental staff meetings.

The overall goal of the Ethics and Compliance program is to establish processes and procedures that support the Duke Energy Code of Business Ethics and ensure that they are aligned with the U.S. Sentencing Guidelines in order to mitigate Duke Energy's risk of non-compliance with state and federal regulations.

The objectives of the Corporate Ethics and Compliance Program at Duke Energy are to:

1. prevent, detect and act on unethical and non-compliant activity, and
2. promote a culture that encourages ethical conduct and a commitment to compliance with the Applicable Rules

Individual and team goals are established through a process that identifies the group's key objectives to be accomplished for the year, prioritizes them and aligns them with corporate goals. The goals for the Ethics and Compliance Department are subject to the review and approval of the Chief Ethics and Compliance Officer and the Chief Legal Officer. At the end of each year, the performance of the team as a whole and of individual team members is evaluated and incentives are awarded proportionate to the level of overall achievement.

II. Strategic Planning

Planning for the Ethics and Compliance Department for the year 2006 was mostly accomplished through the merger integration efforts that followed the announcement of the merger of Duke Energy and Cinergy. The strategic plan for the department for the Ethics and Compliance Department is reviewed and approved by the Chief Ethics and Compliance Officer and the Chief Legal Officer. In addition the goals of the Ethics and Compliance department support the overall strategic direction of the company.

III. Organizational Structure

The Ethics and Compliance Department consists of two main branches, Ethics and Compliance. The Ethics branch provides guidance to employees on ethical, legal and policy issues. The Compliance branch ensures that the company is in compliance with company policies and federal and state regulations and educates employees on various policies and procedures. Both branches of the Ethics and Compliance department report to the Chief Ethics and Compliance Officer who reports to the Chief Legal Officer

The Ethics and Compliance Department has a centralized organizational model. The Compliance group has two main arms – Corporate Compliance and Business Unit Compliance. Corporate Compliance is responsible for the effectiveness of the Compliance Program on an enterprise-wide basis, while Business Unit Compliance serves as the primary point of contact for compliance related issues within the business units.

An organization chart for Corporate Audit Services is presented as Exhibit E&C-1.

IV. Responsibilities

The Ethics and Compliance Department is responsible for ensuring that the organization is in compliance with corporate policies as well as regulations from federal and state regulatory agencies based on the framework provided by the U.S. Sentencing Guidelines. Responsibilities include but are not limited to

- Identifying, researching and understanding new policies, rules and regulations
- Ensuring the adequacy of compliance systems and associated controls
- Establishing and implementing enterprise strategy, policies and control measures for ethics and compliance
- Administering the Code of Business Ethics and the anonymous Ethics hotline.
- Educating employees on ethical behavior and applicable rules through the development and administration of customized training
- Monitoring the status of compliance by developing and executing tests to identify potentially non-compliant activities
- Reporting the results of the compliance program to appropriate audiences including the Board of Directors and external regulatory agencies
- Ensuring corrective actions for non-compliant behavior is consistent and implemented in a timely manner.
- Reviewing areas of exposure through self-reporting and auditing and implementing necessary changes to maintain effectiveness.
- Assuring that relationships with customers, regulators, communities, suppliers, and employees are in compliance with the corporate and business unit control environment

- Implementing, monitoring and measuring the effectiveness of other controls specific to the lines of business
- Performing risk assessments and training personnel on external laws and internal policies that are specific to their respective areas.
- Monitoring compliance for business unit specific compliance risks.

V. Practices and Procedures

Research:

The primary purpose of Research within the Program is to identify and maintain a simultaneous understanding of the letter and intent of the Applicable Rules and the organization's underlying activity and business environment so that this information can be fed into the Risk Assessment process, incorporated into the Education and Monitoring components of the Program, and communicated in response to questions from personnel.

Process:

An effective compliance Research approach proactively seeks information from a variety of sources to track ongoing developments and emerging changes in regulations. Typical sources of such information include internal and external counsel, internal regulatory personnel, external regulators and compliance professionals from other organizations. Various communication media (the Internet, print, etc.) is routinely monitored to identify proposed and final rule makings from relevant regulatory agencies, the published resolutions from dispute settlements within the industry, and new compliance developments from other industries.

Educate:

The objective of the Education component of the Program is to ensure that applicable personnel are knowledgeable about the Program and understand the letter and intent of the Applicable Rules that are relevant to their respective roles and activities within the organization.

Process:

Developing and administering training on the Program and the Applicable Rules is a joint effort among Ethics and Compliance, Legal (Internal and External, as required), Regulatory, Governmental Affairs, HR, IT and personnel who execute the underlying activity. Usually, Compliance, be it Ethics and Compliance personnel in administering the CoBE enterprise training or a Business Unit or Corporate Function compliance person who administers training on a specific Rule of the function, takes the lead in rolling out the training course.

Monitor

The objective of the Monitoring component of the Program is to identify potentially non-compliant activity as soon as possible from the execution of the act so as to respond to it with corrective action prior to the activity becoming a pattern of non-compliant behavior.

Process:

The most basic form of Monitoring is a Supervisor's oversight of his/her direct report's activities. This "Duty to Supervise" is a requirement of several regulations that govern Duke Energy's activity and is the first line of defense in mitigating potential violations.

If the Inherent Risk and Cost are high, the need for an independent function, such as Compliance, to execute more frequent and in-depth testing of the underlying activity is increased. As the Inherent Risk of violation and Cost decrease, the need for independent, frequent and extensive testing is reduced. As a result, the higher the potential risk and cost, the more active the Monitoring process should be; whereas the lower the potential risk and cost, the more passive the monitoring approach may be.

Discipline

The objectives of the Discipline component are to ensure:

- proper incentives are in place to support ethical and compliant behavior and actions to prevent or detect violations; and
- a proper response is implemented for violations of the Applicable Rules.

Process

Compliance's role in this process is to:

- work with the Business Unit and Corporate Management to incorporate ethics and compliance metrics into the organization's incentive structure;
- identify and report unethical and non-compliant activity to Management and HR for their proper response (see Monitoring and Reporting);
- be informed of the resulting discipline and escalate concerns if the resulting discipline is not sufficient;
- monitor the implementation of the organization's response to ensure it is carried out consistently.

Review

The objective of the Review component of the Program is to ensure the on-going design and implementation of the Program and its underlying processes and

procedures are effective in meeting the Program's objective of preventing violations of the Applicable Rules.

The Review is focused on two parts:

- Are the processes and procedures in place designed effectively to mitigate the risk of a violation?
- Are these processes and procedures being effectively implemented?

This Review process can be at the Program level, seeking to determine if the overall structure, design and implementation of the Program is effective given the makeup of the organization. It can also be at the more detailed tactical level, examining those compliance processes and procedures that mitigate violations of specific Applicable Rules that have High Inherent Risk and Cost.

VI. Decision Making and Control

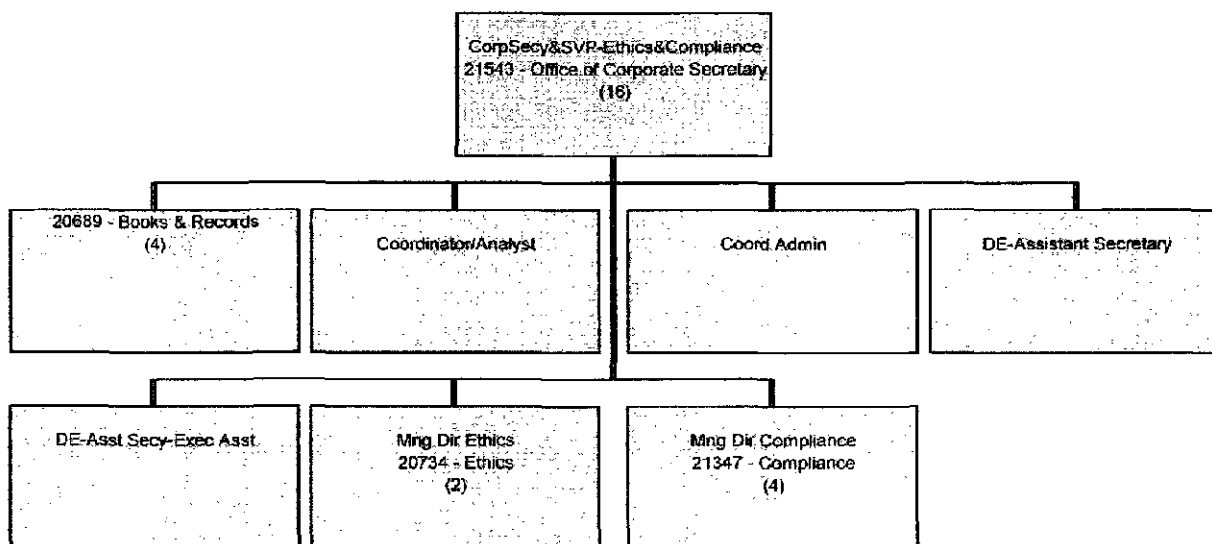
The decision making component of the Corporate Ethics and Compliance Program at Duke rests at various levels of the organization. On the Compliance side, decision criteria are clear cut and are based on whether basic compliance requirements are met. On the Ethics side of the organization, additional aspects that are unique to each situation such as level of impact, organizational level of involvement etc. are used for the purpose of decision making. Decision making authority flows up through the Chief Ethics and Compliance Officer to the Office of General Counsel and on through the Chief Executive Officer to the Board of Directors.

VII. Internal and External Communication

Because the structure of the Program incorporates multiple functions and is designed to leverage those functions in whose primary responsibility feeds a component of the Program (versus duplicating the function within the Compliance function), it is imperative that the flow of information among the various functions is strong. This requires relationships and channels of communication to be established and maintained across the applicable functions. In order to successfully implement these networks, it is incumbent upon Compliance to initiate the relationship and communicate expectations and information requirements, and it is the responsibility of the supporting functions to respond to these requests timely and accurately.

VIII. Goal Attainment and Qualification

Departmental goals are set at the beginning of the year. The goals cascade down from those set for the Chief Compliance Officer. All employees have individual performance reviews every year. Employees are evaluated based on their achievements for the past year with respect to departmental goals and targets.



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
SECURITIES & FINANCIAL REPORTING LEGAL DEPARTMENT
SFR Reference: Chapter II(B)(9)(e)(ii)

I. Policy and Goal Setting

The Securities & Financial Reporting Legal Department does not set Company policy for Duke Energy per se, but supports the corporate policies found in the Working Environment Policy Manual. However, it does serve in an advisory capacity to management on pre- and post-policy establishment, interpretation and administration. In addition, the department frequently reviews policies for compliance with state and federal law and exchange regulations. Company policies are communicated to employees in both written and oral fashion and at departmental staff meetings.

Individual and team goals are developed each year for each attorney, through a process which identifies key targets and success factors, weighs them and combines them with desired behavioral and corporate financial goals. At the end of each year, achievements are evaluated and incentives are awarded proportionate to the level of overall achievement.

Departmental policies and procedures are promulgated by the Vice President Legal, Securities & Financial Reporting in conjunction with directives from the Group Executive and Chief Legal Officer.

II. Strategic Planning

The executive management of the Company has the primary responsibility for establishing the Company's strategic plan. The department's primary function with regard to the strategic plan is to advise management with respect to compliance with state and federal law and exchange regulations and otherwise to provide material legal assistance in achieving the strategic plan. In addition, goals and programs are established within the department to support the Company's strategic plan.

III. Organizational Structure

The Vice President Legal, Securities & Financial Reporting, who also holds the title of Assistant Corporate Secretary, reports directly to the Group Executive and Chief Legal Officer. The department is part of a centralized Legal Department, with approximately [60] attorneys providing a range of legal services across the Company. Timekeeping requirements have been implemented in order to accurately allocate time and costs.

An organizational chart is attached as Exhibit SEC-1.

IV. Responsibilities

The Securities & Financial Reporting Legal Department serves as counsel and provides legal services for the Boards of Directors, officers and employees when they are acting on behalf of the Company during the course of their performance of job-related duties. Such services include, but are not limited to:

- Advice on and compliance with the federal securities laws
- Advice and assistance with periodic and current reports, proxy statements, information statements, and other SEC filings
- Support with respect to meetings of shareholders
- Advise and support with respect to the responsibilities of the Board of Directors
- Advice on and compliance with the Sarbanes-Oxley Act of 2002
- Advice on and compliance with the New York Stock Exchange regulations
- Assistance in financing transactions, including sales of registered and unregistered securities, bank borrowings, issuances of guarantees, lease transactions and other financing transactions
- Assistance in compliance and ethics matters, including investigations of potential improprieties
- Legal support for the Treasury, Controller, Corporate Secretary, Investor Relations, Corporate Communications and other Company departments

V. Practices and Procedures

Departmental personnel maintain close working relationships with Treasury, Controller, Corporate Secretary, Investor Relations, Corporate Communications, executive management, and others with which they work.

All professional staff members make every effort to keep current with developments in their areas of expertise and responsibility by reading the publications to which the department subscribes, and through participation in seminars and workshops conducted by nationally recognized and accredited organizations and associations. Continuing Legal Education (CLE) requirements are closely monitored, and all attorneys are expected to fulfill all requirements each year. In addition, access to computerized research databases, such as Lexis, contribute to the productivity of the attorneys in the department.

Outside counsel is carefully selected based upon, among other factors, need, expertise, reputation and cost. They are required to provide billing details for scrutiny and are evaluated periodically for performance and cost. All outside counsel invoices are reviewed by the Department for accuracy and to validate the level, quality and efficiency of the work being performed.

VI. Decision Making and Control

The responsibilities for decision making rest with the organizational level that has:

- The information to effectively implement the decision;
- The necessary facts to apply sound judgment based on Company policies, procedures, and directives; and
- The authority to take effective action.

The department acts in an advisory capacity to other departments, but the decision to use inside or outside counsel is made by the department. If outside counsel is obtained, the department manages their work.

VII. Internal and External Communication

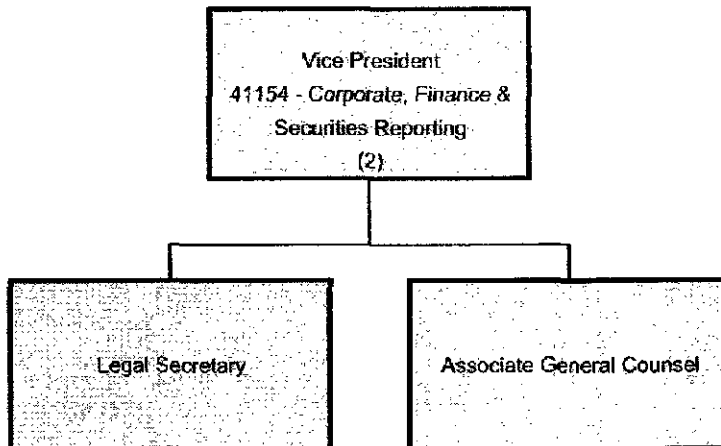
The department maintains open channels of communication for exchange of information and ideas through several media, such as in-person meetings and distribution of bullets. Communications and legal opinion may be communicated orally or in writing, depending on the particular situation.

VIII. Goal Attainment and Qualification

Due to the individualized and independent nature of the attorneys' work, readily quantifiable means of measuring performance are difficult to construct. The effectiveness of the attorneys is reflected in the successful conclusion of a transaction and in the positive feedback from Company departments and outside firms with whom they work.

All attorneys and all support staff are given performance reviews each year, which indicate individual achievements of the past year and set goals for the following year. Although working in individual capacities, each member of this department strives to assist the department as a whole in its efforts to reach the goals and objectives outlined in Section I above, to provide the highest quality legal counsel and services to the Company.

Legal - Securities and Finance Reporting



DUKE ENERGY
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
HUMAN RESOURCE DEPARTMENT
SFR Reference: Chapter II(B)(9)(f)(i,ii,iii,iv,v)

I. Policy and Goal Setting

The Human Resources Department (Department) assists the Company in achieving its business goals by facilitating the acquisition, development and maintenance of an efficient and productive workforce.

The Department supports the corporate policies and objectives as described in the Policies section of the Employee Portal through the related Working Environment Policy Manual and Duke Energy procedures and practices.

The Group Executive and Chief Legal Officer who has overall responsibility for Human Resources with input from the Vice President-Corporate Human Resources and Vice President-HR Business Support participate in strategic planning meetings with corporate senior management. As a result of these meetings, the HR executive team develops goals and objectives for Human Resources in support of the overall business plans of the Corporation and individual business units. The goals are developed in partnership with and reviewed with Company officers.

The Human Resources leadership group then develops goals and objectives that support those developed in partnership with Company senior management. Departmental and individual goals are evaluated and reviewed annually as a part of the performance management process, which is used to determine annual salary adjustments.

The Human Resource Department's sub-departments also engage in policy and goal-setting, as follows:

Staffing and Recruiting - It is the policy of Staffing and Recruiting to select and employ the best qualified available candidate to meet the specific competency requirements of a particular job vacancy and the Company's general qualifications, while operating within a balanced workforce initiative and company compensation guidelines as well as the legal requirements of local, state and federal agencies. Methods for selection and placement of

employees (i.e., qualifications and assessment methods) are set by involving line department management. In times of downsizing and restructuring, this division is responsible for the employee transition pool and its activities.

Organizational Development- It is the policy of Organizational Development to consult with executive management and line departments to design and develop non-technical training and organizational interventions which develop the competencies of the individuals and teams within the Company. Additionally, it is the policy of the department to facilitate the implementation of Career Development processes in departments and assist individuals in identifying personal career development plans.

Labor Relations- It is the policy of the Labor Relations Department to foster positive relationships with all unions without eroding the Company's ability to manage. It is the department's goal to promote and improve the relations between the Company and its employees who are represented by unions by honoring the spirit, as well as the terms and conditions, of the individual collective bargaining agreements while supporting management's need to adapt to changes.

Employee Relations and HR Risk Management- It is the policy of the Employee Relations area to provide consultation services to Company management and supervision to facilitate the development, retention, and consistent administration of a quality and engaged workforce for current and future workforce needs of the Company. This includes supporting strategies and processes that ensure a corporate environment that is free of bias, auditing employment practices and associated programs to ensure fair application, and investigating Equal Employment Opportunity complaints. The group coordinates our Affirmative Action Planning activities and compiles and submits information in response to government and regulatory agency requirements and requests.

Compensation & Benefits- It is the policy of this function to maintain an equitable wage and salary administration program which provides payment of fair wages and salaries competitive with those paid for similar positions in other companies and within the industry in order to retain qualified employees and attract competent applicants. The salary structure for management employees is reviewed on an annual basis with the review being guided by economic conditions, wage/salary trends, and market data. Wage rate schedules for classifications represented by collective bargaining units are made the subject of negotiations with such negotiations being guided by these same economic conditions and trends.

It is the policy of this function to design and maintain benefit programs that are competitive with the industry in order to attract and retain the employees necessary to provide safe, reliable energy to our customers.

Diversity, Inclusion and Workforce Strategies- It is the policy of Inclusion Strategies to develop, implement and/or monitor programs, procedures and practices in the area of diversity and work/life to support a respectful, inclusive and bias-free workplace.

II. Strategic Planning

The Human Resources group is involved in three categories of planning activities: strategic, operations and budgeting. The Corporate HR business plan is developed by HR executive management, which includes the Group Executive and Chief Legal Officer, the Vice President-Corporate Human Resources, and the Vice President-HR Business Support. The Vice Presidents and their direct reports develop operational plans that support and enable the HR business plan. Programs which support the HR business plan and departmental plans and goals are translated into resource requirements during the budgeting process conducted annually during the fall.

Functional leaders within HR are responsible for developing long and short range plans that support and facilitate the overall corporate objectives. Daily operational decisions or functional matters are routinely made by functional leaders. Goals and objectives which affect corporate policy or multiple departments are reviewed and discussed with the Group Executive and Chief Legal Officer, Vice President-Corporate Human Resources and Vice President-HR Business Support, with input from senior corporate management as needed.

The Group Executive and Chief Legal Officer attends the CEO's staff meetings. Departmental and division staff meetings are also held to communicate with Human Resource employees' progress toward company and department goals and objectives.

III. Organizational Structure

The Group Executive and Chief Legal Officer reports to the Chairman, President and CEO. The Group Executive and Chief Legal Officer's organization includes Human Resources, Information Technology, and Enterprise Operations Services (real estate, travel, creative services, etc.) Human Resources, divided into two areas-Corporate HR and HR Business Support, encompasses several departments including: 1) Organizational Development; 2) Compensation & Benefits; 3) Employee Relations and HR Risk Management; 4) Diversity, Inclusion and Workforce Strategies; 5) Labor Relations; 6) Staffing and Recruiting; and 7) Business Partner organizations. Each area is lead by a functional leader who reports to one of the Vice-Presidents of Human Resources.

Organizational charts for the department are attached as Exhibit HR-1.

IV. Responsibilities

The overall goal of Human Resources is to assist the Company in achieving its business goals by facilitating the acquisition, development and maintenance of an efficient and productive workforce, under conditions which foster positive employer- employee and union relations and which conform to the legal requirements imposed by local, state, and federal governments, as further described below:

Staffing and Recruiting - This division is responsible for maintaining a centralized and standardized recruitment, selection, testing and placement process to assure an adequate number of employees with the required competencies and general corporate qualifications. The department is also responsible for administering internship and co-op education programs as well as the internal job posting system. In times of downsizing and restructuring, this division is responsible for the employee transition pool and its activities.

Organizational Development - This division consults with line management to provide supervisory, management, professional and team development activities. It also coordinates the corporate performance management system.

Additionally, the Organizational Development function assists departments in creating climates conducive to career planning and consults with individuals for the purpose of clarifying career aspirations, assessing personal strengths and weaknesses, and establishing career objectives and strategies.

Labor Relations - This division is responsible for planning, organizing and managing the overall relationship between the Company and its unions, collective bargaining negotiations, administering the grievance process, coordinating consistent inter-department administration and interpretation of all labor-management agreements, and representing the Company's position in the final stages of the grievance, arbitration conciliation and/or mediation process. This department also assists line management in policies concerning the coaching, counseling, and disciplining of the union-represented workforce.

Employee Relations and HR Risk Management - This group is responsible for providing consultation services to Company management and supervision to facilitate the development, retention, and consistent administration of a quality and engaged workforce for current and future workforce needs of the Company. This group also audits employment practices and programs to ensure fair application, and investigates Equal Employment Opportunity complaints. The group coordinates our Affirmative Action Planning activities and compiles and submits information in response to government and regulatory agency requirements and requests.

Compensation & Benefits - The Benefits team within the Compensation & Benefits group is responsible for designing and delivering competitive benefits to employees. In addition, this team is responsible for designing and delivering wellness program, disease management programs and other health management program to control health care costs.

The Compensation team within the Compensation & Benefits group is responsible for ensuring a competitive compensation system for all employees. Included in this group's responsibilities is the preparation and analysis of market comparison studies of industry and geographic current practices.

Diversity, Inclusion and Workforce Strategies – This group is responsible for facilitating the creation and support of a culture that is inclusive and diversity-friendly. The guiding principle, which supports Duke's diversity performance initiative, is as follows:

“Duke will create an organization where no individual or group of individuals is advantaged or disadvantaged because of race, ethnicity, gender, age, religion, sexual orientation, physical ability, tenure or any other cultural or corporate classification. Reaching this goal will assist Duke in maximizing revenues and earnings growth, ensure customer satisfaction by providing excellent service, and align itself to meet and exceed its competitive challenges.”

Business Partners – The Business Partners are designated to support functional areas. As HR generalists they are responsible for consulting with management on a broad range of HR issues. Additionally, they facilitate the implementation of HR policies and procedures and serve as a liaison between their functional department and Human Resources.

V. Practices and Procedures

Practices and procedures of Human Resources are organized by department and division. They are described below:

Staffing and Recruiting

- Developing and conducting recruitment programs for professional employees through college campus recruiting and coordinating a cooperative education program;
- Developing and maintaining recruitment contacts with state and local employment organizations and area schools to assure an adequate source of nonexempt applications;

- Maintaining applications via an electronic system in order to identify candidates for available positions. Screening and testing applicants and employees in order to determine their suitability and capability for particular positions; and
- Coordinating the internal exempt and nonexempt job posting systems.

Organizational Development

- Administering a Performance Management System for non-union employees in order to assist employees in improving their individual performance, and to provide a means for evaluating job performance and the attainment of corporate goals for salary administration;
- Administering company-wide non-union employee development programs in order to manage and develop the human resources of the Company which are vital to its long-term survival;
- Assisting the operating departments in employee skills training by providing equipment and staff consulting resources;
- Providing coaching and counseling for employees seeking career opportunities.
- Providing consultation to departments in providing the climates and resources conducive to career development;
- Conducting career coaching and counseling training programs; and
- Assisting and coordinating the succession planning efforts for mid-level and executive management positions.

Labor Relations

- Planning, coordinating and supervising the conduct of labor negotiations in order that the management negotiating committee has the necessary information to negotiate a fair and equitable agreement;
- Administering the collective bargaining agreements and advising management on contract interpretation questions to assure fair and uniform application;
- Facilitating the job evaluation committees and administering the job evaluation systems for all job classifications represented by a union;
- Advising management on the grievance procedure and administering the grievance procedure from the third-step through arbitration to assure fair and equitable resolution of employee disputes. Providing labor relations training to supervisors, as required; and
- Providing consistent and defensible counsel to management employees in matters of discipline and labor relations policies.

Employee Relations -

- Designing, and developing procedures to guide management in the implementation of the HR Policies in the areas of affirmative action, work life, fitness for duty,

corrective action, diversity, workplace security, preventing and addressing harassment, the development of employees, etc.

- Responding to federal government request for information as well as similar state level and requests (i.e. EEOC charges, OFCCP audits, DHEC complaint, etc.).
- Coordinating the investigation and resolution of EthicsLines issues, Recourses, etc..
- Ensuring an effective HR compliance program by identifying, monitoring, and mitigating risks associated with employment law compliance, internal controls and management effectiveness.
- Administering the Employee Opinion Survey and provide analysis and trending of results with recommendations for actions to address the negative trends.
- Providing Medical and EAP services (medical portion of the overall safety program, FFD program, management referrals) to ensure compliance with various OSHA and NRC programs and to provide assistance to managers and employees in dealing with workplace problems.
- Advising management on the best methods to manage their human resources as an asset (i.e. program development and administration) and on the individual basis) i.e. application of the corrective action procedures to a particular situation).

Compensation & Benefits

- Managing the administration of market pricing and job titling procedures;
- Supervising and administering the application of general wage rate and salary changes for all employees;
- Coordinating and administering the Annual Incentive Programs for all employees;
- Preparing statistical data for negotiations. Administering and preparing wage, salary and fringe benefit surveys and other statistical reports as required for the Company and governmental agencies;
- Designing, implementing and maintaining a comprehensive benefit program and work & family life program that is competitive with comparable utilities and local industries and that provides internal equity in a cost effective manner; and
- Communicating to and educating employees so that they are knowledgeable about the benefits available to them and providing a centralized corporate source for responding to employee questions and problems.

Diversity, Inclusion and Workforce Strategies

- *Advising and supporting business partners on recruitment, retention and advancement strategies to ensure equal opportunities for all employees;*
- Designing, facilitating and supporting continuing diversity education and awareness.
- Researching and providing information on diversity and work/life best practices and emerging trends;

- Consulting with and providing business partners with solutions to create an inclusive performance-based environment;
- Creating and promoting opportunities for employees to assume individual responsibility for diversity culture change;
- Facilitating, integrating and supporting diversity communications; and
- Developing and maintaining key relationships to promote and support community development and inclusion and identifying opportunities for collaboration with the company's diversity performance initiative.

VI. Decision Making and Control

Daily operational decisions on departmental matters are routinely made by the department functional leads. Decisions affecting corporate policy or multiple departments are reviewed and discussed with the Human Resources Policy Committee of the Board of Directors and the President or involved Officers as required.

The Group Executive and Chief Legal Officer attends the CEO's staff meeting. Appropriate pending decisions regarding policies and programs on corporate matters are reviewed and discussed. Department and division staff meetings are held after the Officer staff meeting to communicate corporate matters and decisions and to monitor the impact of decisions. In addition, informal discussions routinely take place for decision making with officers and other appropriate internal customers.

VII. Internal and External Communication

Face-to-face internal communications within the individual business units occur frequently during the work day. Communications on topics relevant to other divisions also occur in person daily. External communications with other departments are normally on a personal basis or by phone in order to provide the necessary services to the department. Significant changes occurring within the respective business units are reported at staff meetings. Topics which apply to the entire organization are communicated through various corporate communication vehicles such as the corporate portal, email and targeted direct mailings addressing pertinent human resource issues. Human Resources Communications, in conjunction with Corporate Communications, develops the appropriate materials and distribution methods to communicate pertinent HR information. Decisions on grievances, arbitration proceedings and significant issues affecting employees are communicated to the unions in writing.

External communications also consist of oral communications with counterparts in other utilities, questionnaires, surveys, and participating in and attending professional association

meetings, seminars and workshops and industry committee meetings. Other external communications consist of direct contact with human resource counterparts in other companies as well as the governmental agencies.

VIII. Goal Attainment and Qualification

All non-union employees receive an annual performance appraisal review from their reporting manager. During this review meeting, individual division goal achievements are evaluated. Salary adjustments are dependent, in part, on achievement of established goals. The following are examples of performance indicators that provide management of the department with an indication of the quantity and quality of work being completed by the various work units:

Organizational Development

Staffing and Recruiting- Performance is measured by evaluating the number of employees recruited and hired in comparison to the number of job openings, and the time needed to fill the job vacancies as well as customer evaluation of services.

Organizational Development - Performance is evaluated by the actual cost and days of training delivered as compared to the budget plan. Training evaluation questionnaires are used regularly to monitor the value and effectiveness of the programs, as well as customer feedback questionnaires on services, which are administered annually.

Labor Relations - Performance is measured by internal customer feedback questionnaires on services, which are administered throughout the year. The number of hearings and investigations related to third-step grievances, neutral arbitration cases, and the timeliness and persuasiveness of written labor relations' communications are a further gauge of performance.

Employee Relations - Performance is measured in several ways including employee productivity measurements or forced turnover ratios and resulting employee action, the number of complaints, both from an EEO compliance standpoint as well as union, non-union, or potential harassment concerns that are successfully handled to resolution. Other measures used include timely responses to various agency requests for reports, including Affirmative Action Plans and Compliance Reviews. Employee Opinion Survey results and trends as well as internal and external audits of Medical Services.

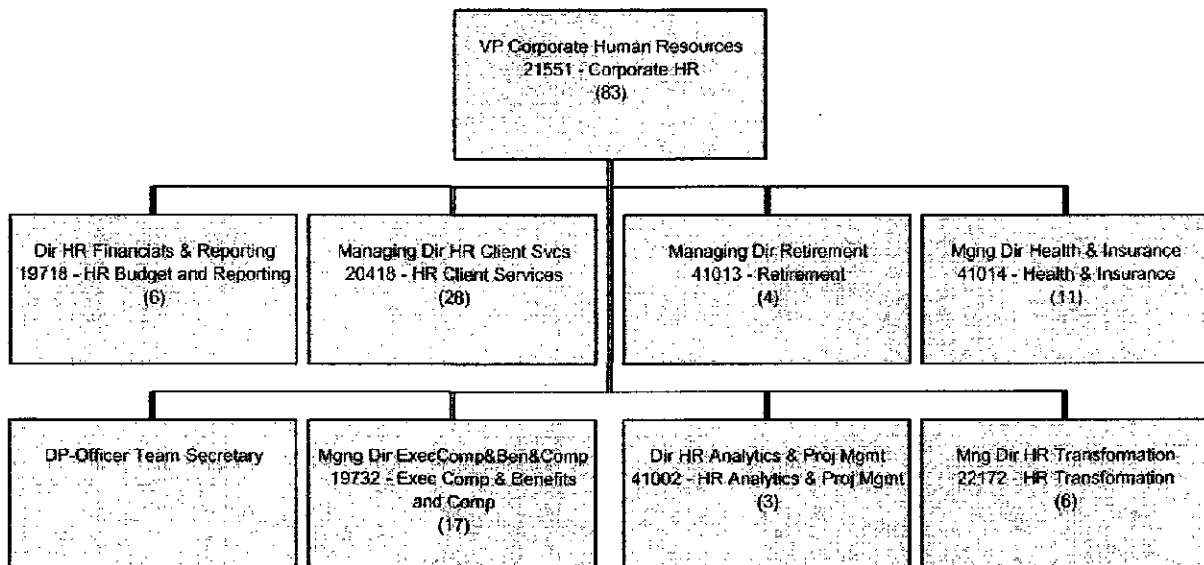
Compensation & Benefits - General performance indicators of the Compensation and Benefits Group are derived by reviewing wage and benefit surveys among utility companies as well as local, regional and national industry positions to ascertain the Company's position

in the wages and benefits area. Benefit program costs such as health care costs are monitored for delivery trends and carrier performance. Performance of programs is also evaluated by the number of employees who use the services and feedback from internal customers and employees.

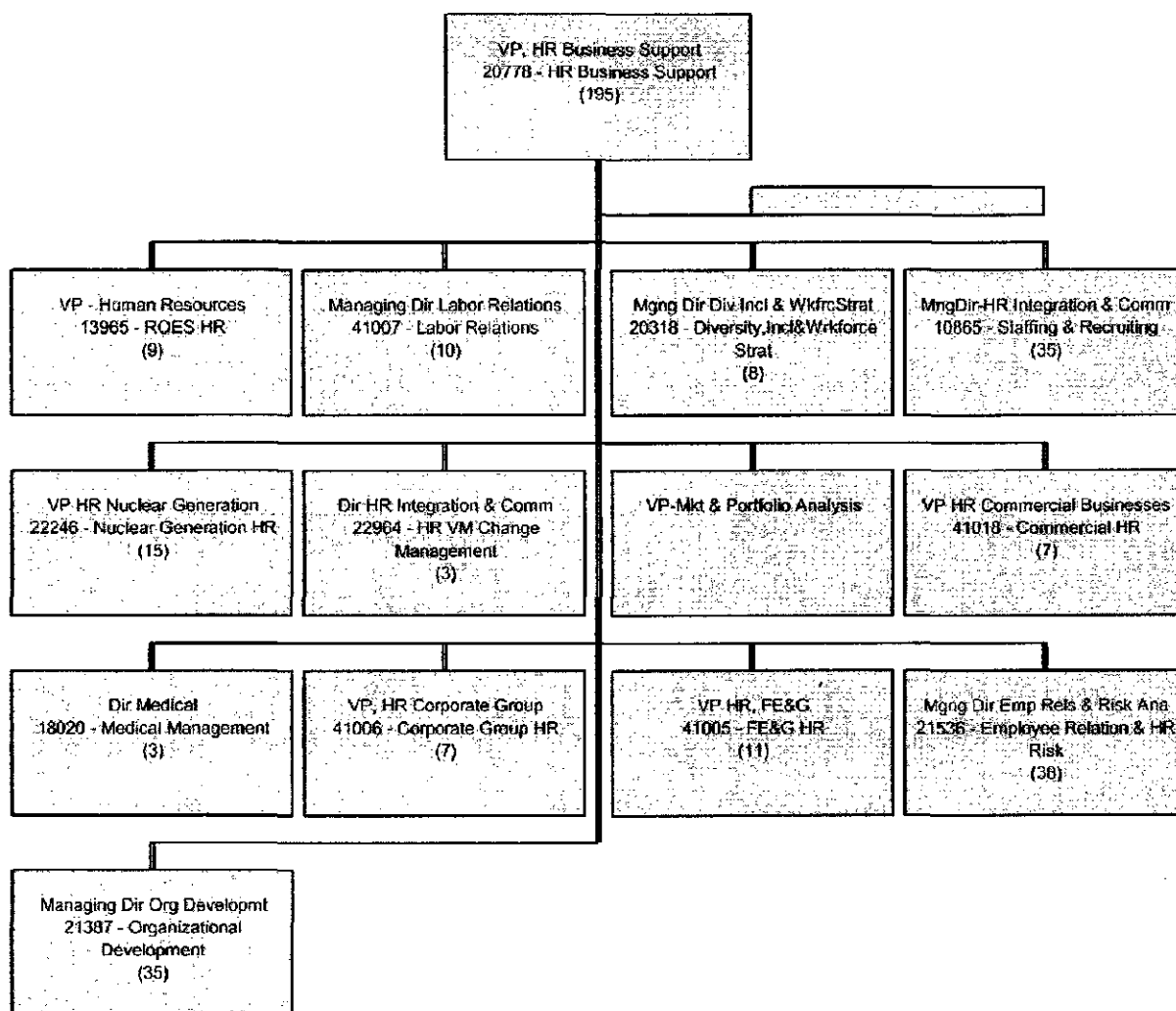
Diversity, Inclusion and Workforce Strategies - Performance can be measured based on the number and nature of internal and external complaints or grievances relative to hiring, promotional and developmental opportunities and the quality of interpersonal relationships and dealings with others. Training evaluations and other feedback are another means for measuring performance along with any local, regional or national recognition of the company's diversity and work/life practices.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Vice President Corporate Human Resources



Vice President HR Business Support



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
INFORMATION TECHNOLOGY DEPARTMENT
SFR Reference: Chapter II (B)(9)(e)(iii,iv)

I. Policy and Goal Setting

The purpose of the Duke Energy IT Department is to manage the optimum delivery of IT services so as to be transparent, scalable and cost effective while developing IT leadership capabilities. The department partners with the business to help achieve business and financial objectives.

The IT goals are set annually by the Senior Vice President and Chief Information Officer (CIO). These goals are created in support of the Group Executive and Chief Administrative Officer's (CAO) area goals, of which IT is an integral part, as well as the overall corporate goals. Long-term goals include:

- Eliminate Environmental Health and Safety (EH&S) exposures
- Achieve IT integration targets and help the business achieve integration objectives
- Ensure controls are in place
- Optimize service levels and costs
- Develop talent
- Source properly
- Build capacity to scale

Specific incentive goals vary year to year but are always designed to support corporate and business unit objectives. CIO Staff areas (divisions) will sometimes establish goals unique for their areas. Individual incentive plans comprise some combination of corporate, department and division goals,

Enterprise policy is established by the Senior Vice President and Chief Information Officer (CIO) and approved by the IT Governance Committee. Policies are created to manage risks in certain areas. Formal policies exist for IT Asset Management which addresses access, use and processing of Company information; Software License Management which addresses the acquisition, use and record keeping related to licensed software; Technology Change Control which establishes controls for making changes to the information technology environment; IT Security which governs the protection of information assets and ensures the confidentiality, integrity and availability of Company information; and SCADA Cyber Security which governs specifically the protection of information, applications and systems used to operate, control or monitor physical assets. These IT-specific policies are an integral

part of Duke Energy corporate policies. These policies are attached as the following exhibits: Exhibit IT-1 IT Asset Management policy, Exhibit IT-2 Software License Management, Exhibit IT-3 Technology Change Control, Exhibit IT-4 IT Security, and Exhibit IT-5 SCADA Cyber Security.

II. Strategic Planning

IT conducts planning on several levels. Business planning is a continuous process that is triggered by corporate objectives, reorganizations, or the annual financial planning process. This multi-year plan includes IT strategy, IT governance, our enterprise technology architecture, our approach to sourcing, top projects and key performance indicators and measures. It is compiled with input from various other IT divisions and is reviewed by the IT Governance Committee for business alignment.

Financial planning is conducted on an annual cycle as directed by Corporate Finance. A department budget is compiled with input from all levels of management within IT. Teams develop individual budgets by working with the business areas they support to quantify the need for projects and services in the upcoming fiscal year. These team budgets are then rolled up to a department budget which aligns with business objectives.

Technology planning is conducted on a continual basis. This process includes research driven by business need and emerging technology trends. Resulting plans in the form of technology-specific strategies, architecture and security standards are then reviewed and approved by the Senior Vice President and CIO.

III. Organizational Structure

IT for Duke Energy domestic operations is a centralized department headed by the Senior Vice President and Chief Information Officer. The Senior Vice President and CIO reports to the Group Executive and Chief Administrative Officer who in turn reports to the President and Chief Executive Officer. All IT services for Duke Energy US operations are provided through this organization.

The divisions of the department include:

- Security and Compliance
- Architecture and Standards
- Portfolio and Resource Management
- Transition Services
- Operations and Infrastructure
- Operations Applications
- Business Applications
- Enterprise Asset Management
- Financial Applications Integration

The organization structure for information technology is attached as exhibit IT-6

IV. Responsibilities

Information Technology enables business processes to safely meet operational requirements, comply with regulatory requirements, create new capabilities, enhance operational efficiency, and optimize business operating costs. The IT organization of Duke Energy implement and manage information technology-based solutions which automate traditional back office processes, perform operational functions, enable new ways of doing business by making new or transformed processes possible, enable voice and data communications, provide individual productivity tools and provide electronic access to information. IT groups design, develop and support numerous applications and data management systems. Examples of these include Duke Energy Ohio's Customer Management System (CMS), Energy Data Management (EDM), and the enterprise Financial Management Information System (FMIS). Various hardware, software and systems are operated and maintained by IT personnel including workstations, servers, data centers and telecommunication networks. End user support is provided through managed help desks.

V. Practices and Procedures

Practices and procedures are established by the Senior Vice President and CIO. Our operating model is based on a comprehensive Solution Delivery Life Cycle (SDLC). It is supported by time reporting and project management processes. Figure 1 illustrates these processes, related deliverables and applicable standards.

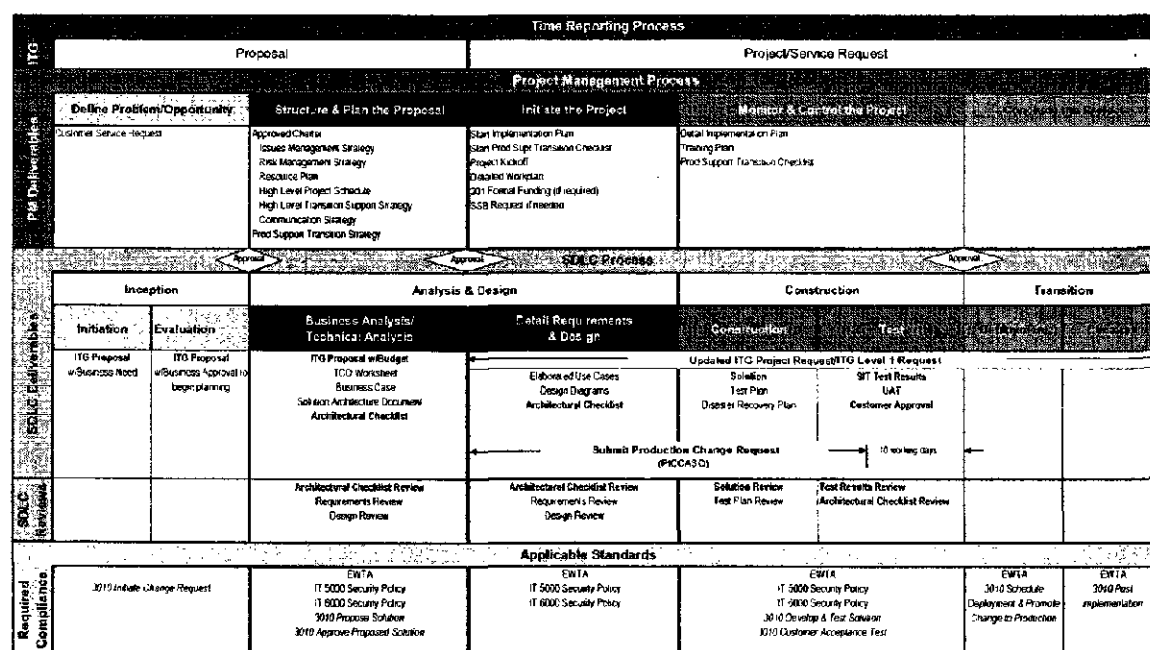


Figure 1 – SDLC and Project Management Processes

Financial reviews and status reviews of projects are performed according to the flow depicted in figure 2. Project work enters the business case approval process if they are related to merger integration, have cross-organizational impact, or other projects at the direction of the CIO Staff based on cost, risk, visibility or work

effort. Authority to approve a business case follows corporate Delegation of Authority guidelines. Additionally, all project and scheduled work is tracked and managed according to the time reporting process.

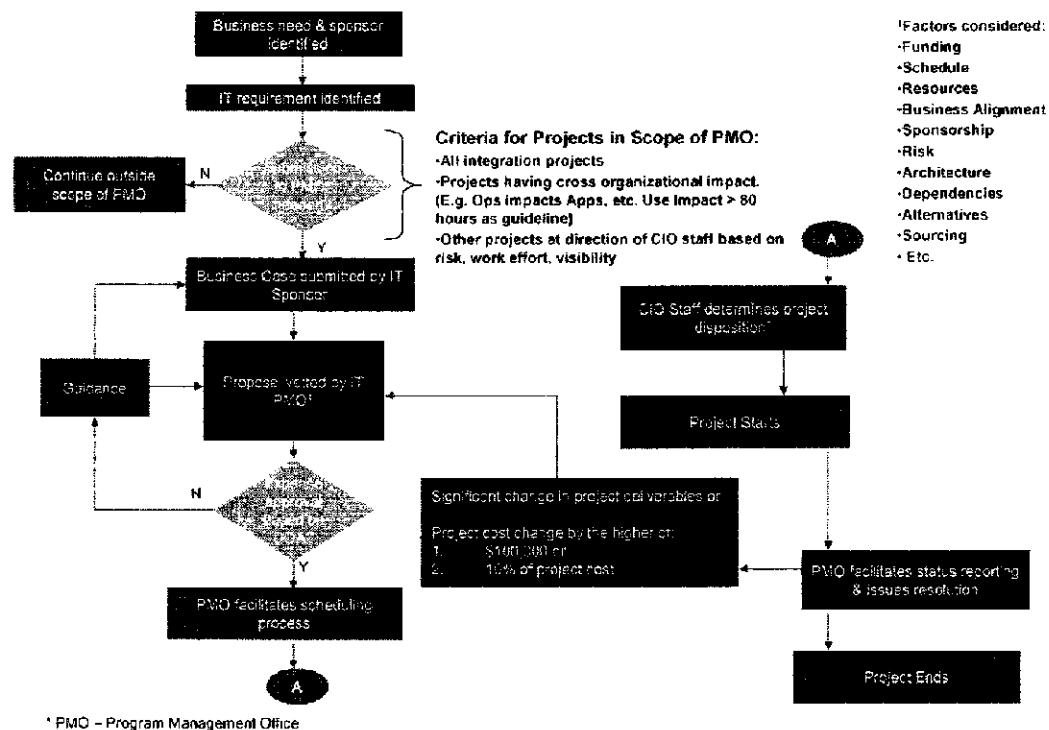


Figure 2 – PMO Business Case & Project Process Flow

All changes to the IT production environment, including changes resulting from SDLC category work but also from incident and service requests, are controlled through common asset management, configuration management, problem management and change management processes. A configuration management database maintains the configuration of all IT assets and is central to these processes. Incidents reflect problems in the production environment and usually originate from the Help Desk. Service requests and SDLC work initiate change requests as the entry point to these processes. Other scheduled IT work also uses the same processes, work management and change control systems to comply with change management and SOX processes. Figure 3 shows the dependencies across the processes described in this section.

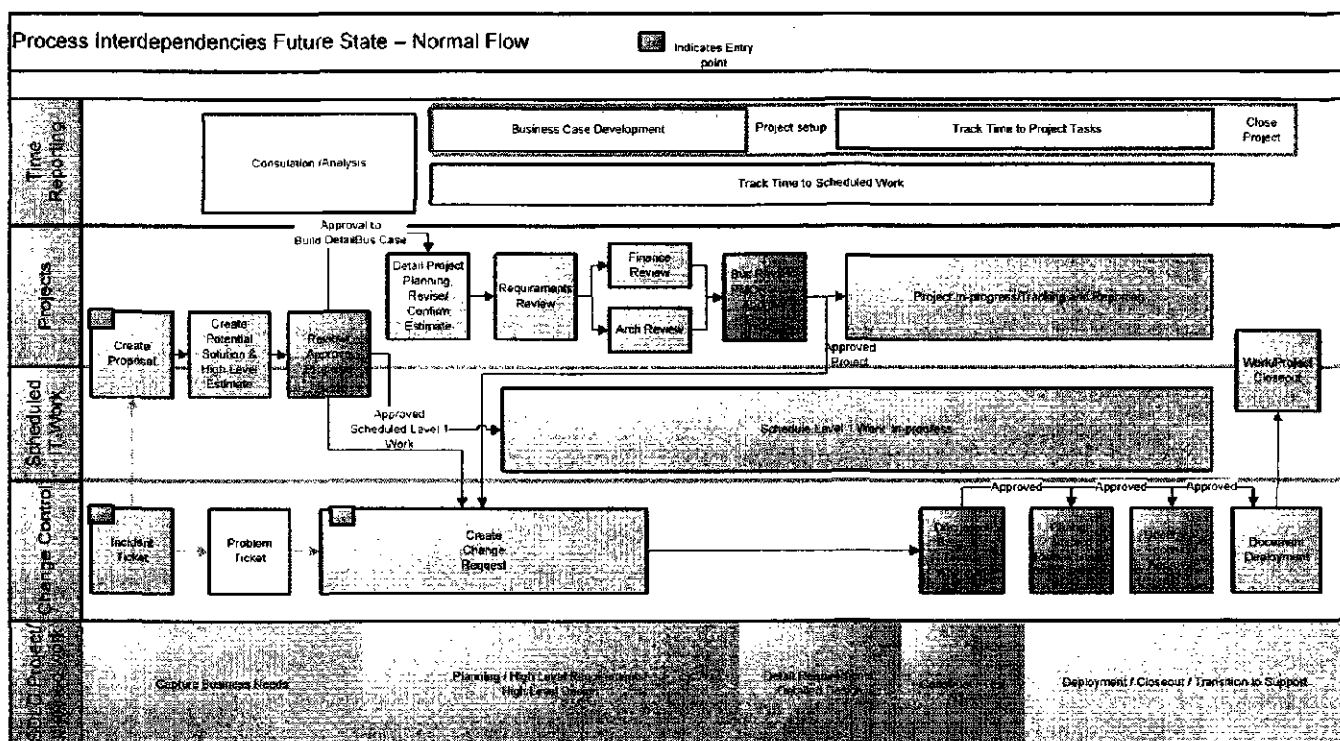


Figure 3 – Process Inter-dependencies

VI. Decision-Making and Control

An IT governance model formally assigns decision rights to two standing committees supported by various working groups. The IT Governance Committee provides general oversight of the IT function. This group, chaired by the CIO, is comprised of selected business executives from key areas of the Company. Membership varies over time but the mission of this committee is to oversee compliance matters, approve IT policy and assure IT alignment with business strategy and objectives. It meets on a quarterly basis. The IT Governance Working Team includes the CIO and members of the CIO Staff with a focus on strategy, standards, compliance and oversight. It sets compliance direction and approves standards. It meets on a monthly basis.

The CIO Staff manages the IT function and is accountable for oversight. Budget responsibility exists at this level and the Staff is accountable for day to day operations, including staffing and sourcing. It meets on a weekly basis. The IT Project Management Office (PMO), reviews business cases, coordinates architecture and sourcing reviews, conducts project reviews, and consolidates dependencies. It schedules and conducts meetings on a frequent basis in the discharge of these duties. The IT Architecture and IT Security Working Teams originate and recommend architecture and standards to the IT Governance Working Team or CIO Staff as appropriate. These teams are led by individuals in the Architecture & Standards and the Security & Compliance Divisions respectively, with membership consisting of appropriate representation from various IT Divisions. They meet depending on need.

These groups perform a control function by agenda, with regular scheduled items to review ongoing operations and decisions. The IT PMO in particular is a control function for project work. In addition, various compliance activities and audits are conducted of projects, scheduled and routine work by the compliance function within IT, by the internal audit department, and by various third-party auditors (for example, annual SOX certification).

VII. Internal and External Communication

Internal Communication

Internal communications are accomplished through a wide variety of departmental meetings and other communications mechanisms.

All levels of management within the department conduct regular staff meetings which serve as the primary means to collect and disseminate information within the department. From time to time, the CIO will issue department wide communications discussing major initiatives or events. All hands management meetings are sometimes conducted to discuss topics appropriate for management.

Within the Company, the IT function sometimes writes and publishes articles of general interest on the Company's web-based internal Portal. Items concerning IT security that affect the workforce at large are a good example of this type of communication. Relationships exist across the application divisions with various functional areas of the business and they work closely together day to day. Within the Customer Support division, both a Company-wide Help Desk and a Deskside Consulting function provide assistance to the workforce for IT-related matters.

The Portal includes an IT Home page which serves as a reference library for the IT Department on strategy, policy and service information. The IT Standards page provides technology architecture and standards information to IT practitioners and end-users of IT alike. The IT Security page provides information related to policy, standards, best practices, processes, key contacts other useful reference information which is of interest to both IT professionals and end-users.

External Communication

The IT department communicates externally primarily through relationships with suppliers of IT products and services. These include responding to solicitations, issuing Requests for Information/Quotes/Proposals, or other communication related to the execution of work under various contracts for products and services.

Personnel in the IT department participate in various community programs such as Duke Energy's annual Global Services Event, local Chamber of Commerce activities, educational programs, and other events and activities.

VIII. Goal-Attainment and Qualification

Department employees participate in a Short Term Incentive (STI) plan administered by Corporate Human Resources. These plans are developed annually and consist of a combination of corporate measures, departmental and/or operational measures. Goals within a plan have levels of attainment which include a minimum threshold for any payout, target and maximum payout levels.

Financial measures are certified by Corporate Finance. Project documentation, deliverables from projects, published service level data are examples of quantitative data that is collected, submitted and filed with certified incentive plans at year end. Two levels of management including the Senior Vice President and CIO are required to certify an incentive plan. This documentation is input into the payroll process and become auditable business records.

Information Technology Asset Management Policy - IT 2000

Applicability: Applies to Enterprise
Originator: Chief Information Officer
Approval: Group Vice President, Duke Energy Business Services

Effective Date: 12/31/2001
Revision Date: 09/20/2000
Reissue Date: 07/06/2004

Statement of Purpose and Philosophy

Duke Energy recognizes that information is an essential and valuable corporate asset that is deeply embedded in our Business values of integrity, stewardship, and accountability. The availability, accessibility, security, and integrity of information within Duke Energy, and between other companies, customers, suppliers, and other key stakeholders, are vital to our Business values and objectives.

Policy Expectations

All accesses to, uses of, and processing of Company information must be consistent with related policies, standards and procedures.

- Use of information resources must comply with the *Duke Energy Code of Business Ethics* and with *Federal and State Codes of Conduct*.
- An inventory of major Enterprise information assets must be maintained to define, locate, and manage business critical information.
- Systems development and maintenance must be performed using a life cycle methodology that includes appropriate security consideration for information assets in accordance with Information Technology 5007 - Information Systems Acquisition, Development, and Maintenance.
- All users of Company information must comply with the control requirements specified by Information Technology Security Policy, Standards, and Procedures - IT 5000 Series.
- Information will be retained in accordance with periods established by Records Management Policy

Accountability: Roles and Responsibilities

Senior management has the responsibility for the stewardship of information assets within their business units.

This policy and associated standards and procedures apply to all Duke Energy Employees and any other authorized individuals (e.g., contractors, vendors, consultants).

Key Terms

Information Assets : Information or information technology that provides value to Duke Energy.

Software License Management Policy - IT 2010

Applicability: Applies to Enterprise
Originator: Chief Information Officer
Approval: Group Vice President, Duke Energy Business Services

Effective Date: 06/01/2001
Revision Date: 03/22/2000
Reissue Date: 07/06/2004

Statement of Purpose and Philosophy

A cornerstone of Duke Energy's values of integrity and accountability is to behave ethically and meet the spirit and the letter of the law. This Policy establishes Duke Energy's position on appropriate licensing and protection of computer software. Unauthorized use of software may subject users and/or Duke Energy to both civil and criminal penalties.

Policy Expectations

Duke Energy will respect all software copyrights and adhere to terms of all software licenses to which Duke Energy is a party. This includes licensed software, shareware, freeware, and personally owned software, residing on all Duke Energy technology assets including but not limited to mainframes, servers and workstations. This also includes Duke Energy licensed software on non-company owned technology assets.

It is the policy of Duke Energy that computer software assets will be appropriately licensed and protected from unauthorized use, disclosure, tampering, or theft.

Accountability: Roles and Responsibilities

Duke Energy will adhere to the following guidelines for all software purchased by Duke Energy or used on Duke Energy technology assets:

- Use all software in a manner consistent with the applicable license agreement
- Duplicate licensed software and related documentation for use on Duke Energy premises or elsewhere only as authorized by agreement with the licensor
- Acquire software only through authorized channels
- Maintain complete records of all software in use for purposes of inventory, registration, support and upgrade for purchased software by Duke Energy
- Use only authorized software on Duke Energy equipment

Enterprise-Wide Software License Management

A corporate IT department will be designated to coordinate the management of software licenses for generally used products where economic benefit can be achieved. They will administer the allocation

of these licenses to business units and ensure usage consistent with the applicable license agreement. Processes, procedures and controls to ensure complete compliance with the statement and guidelines of this policy and associated enterprise standards for all software in use. The Business Unit will maintain current information necessary to demonstrate compliance.

Audit Services

As a part of its normal reviews, Duke Energy Audit Services will perform periodic audits to ensure the Business Unit is in compliance with this Policy.

Individual Users

All individuals with access to Duke Energy assets will ensure they comply with all software agreements and copyright laws. The use of illegal copies, pirated software or related materials is strictly prohibited. Violations of this policy should be reported management for appropriate disciplinary action. Employees should contact their supervisor or local information technology support team if they have any questions on license compliance.

Technology Change Control - IT 3010

Applicability: Applies to Enterprise
Originator: Chief Information Officer
Approval: Group Vice President, Duke Energy Business Services

Effective Date: 07/19/2000
Revision Date: 07/19/2000
Reissue Date: 07/06/2004

Statement of Purpose and Philosophy

Information technology is a valuable function that requires proper controls to ensure Duke Energy's values of integrity and accountability are not compromised. A formal change control policy for information technology ensures all changes are authorized, documented and made at the approved time in the approved manner.

Policy Expectations

This policy provides the discipline and management of the technology production environment by controlling all changes made to it. This policy applies to changes made to software and hardware, and is relevant to voice communications systems and data communications systems. Technology change procedures and standards apply to all technology changes, including vendor-supplied and in-house.

Change control procedures and standards describe the process to request approve, test and migrate a change into a production environment. All activities related to the development, procurement, operation, and maintenance of Information Technology in support of the Nuclear policies and procedures are also subject to the requirements of the Duke Energy Corporation Topical Report, Quality Assurance Program.

Accountability: Roles and Responsibilities

This policy and associated standards and procedures apply to all Duke Energy Employees and any other authorized individuals (e.g., partners, contractors, vendors, consultants) working with Information Technology.

A formal written change control process must address the following objectives:

- Technology changes move from a test environment into production only after receiving proper authorization from the technical/production manager and the client owner of the change.
- The approver must not be the developer of the change and must be management level.
- A process must be implemented to notify affected parties prior to making the change.

- Technology change processes will address a method for tracking who is responsible for releasing the change, a description of the change and when the change was made. These change control processes must include proper approval and testing of all changes, and preparation of supporting documentation prior to moving changes into a production environment.
- Documentation reflecting changes to production computer and communications systems must be prepared prior to the change being implemented into production. Exceptions due to emergency changes must be documented for approval within a reasonable time frame specified in the procedure.

Key Terms

Production: A technology system relied on by any Duke Energy business unit to conduct business and to make business decisions.

Technology Change : New implementations, upgrades, replacements or enhancements to technology system such as telecommunications, networks, operating systems, servers, mainframes, applications, and databases.

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Applicability: Applies to Enterprise
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Approval: Group Vice President, Duke Energy Business Services

Effective Date: 07/19/2000
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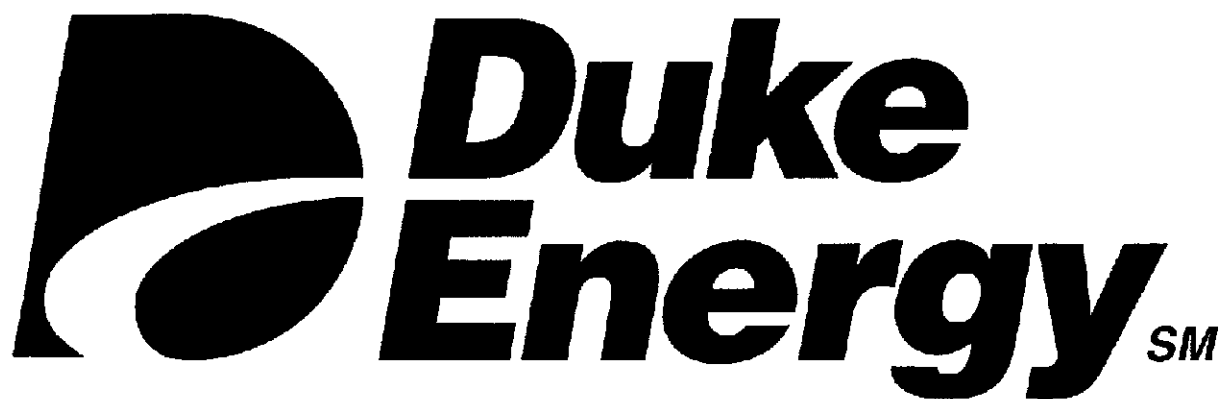
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INFORMATION SECURITY POLICY, STANDARDS, AND PROCEDURES

IT 5000 SERIES

Version 1.0

May 1st, 2006

IT 5000 Series

Version 1.0 of the IT 5000 Series aligns Duke Energy with the International Standard Organization's Code of Practice for information technology (ISO 17799:2005) and incorporates the best security practices as established by the merger of Duke Energy and Cinergy on April 1st, 2006. The IT 5000 Series is comprised of the IT 5000 Policy and supporting Standards and Procedures. The Information Security Policy (Section 5000) represents Executive Management's commitment to the IT Security and authorizes the IT 5000 Series as the governance documentation for the Enterprise. The supporting Standards are organized in the subsequent sections of the IT 5000 Series (5001 - 5010) with references to specific procedures.

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IT 5000 – Enterprise Information Security Policy

Applicability: Enterprise
Originator: Corporate IT Strategy and Compliance
Approval:

Approval Date: 05/01/2006
Revision Date:
Revision No:

Statement of Purpose

Information and the associated information technologies are one of Duke Energy Corporation's (Duke Energy) most valuable assets and are essential for maintaining and improving Duke Energy's competitive position. The IT 5000 Policy is Executive Management's "Statement of Commitment" to protecting Duke Energy's information assets, and serves as the official, authorized governing policy for Enterprise IT Security. The purpose of this policy, and the supporting standards and procedures, collectively known as the IT 5000 Series, is to state the Enterprise requirements for the protection of information assets, and to ensure the confidentiality, integrity, and availability of company information.

Policy Expectation

This policy applies to all employees, contractors, vendors, agents, third parties, or any other person(s) who have access to Duke Energy information assets or facilities housing information assets. It is expected that they will understand and comply with the policies, standards, and procedures addressed herein, and further that it is the responsibility of all users to protect company information assets at all times. Information assets remain the property of Duke Energy, regardless of location, point of access, or mode of transfer from one point to another, and are subject to the security policies defined in the IT 5000 Series.

IT 5000.1 Information Security Policy

- a) The IT 5000 Policy, Standards, and Procedures define the minimally acceptable requirements for the protection of Duke Energy information assets.
- b) Corporate IT Strategy and Compliance is responsible for Duke Energy's IT Security Program. In this role they are responsible for the IT 5000 Series and for maintaining a consistent enterprise-wide approach to information protection.
- c) Each Business Unit is responsible for implementation of the security requirements defined in the IT 5000 Series documents and to provide support to Corporate IT Strategy and Compliance.
- d) Access to information assets by individuals or information systems will only be granted in support of specific business needs and will be controlled through the IT 5000 Series documents. All information assets will be assigned a security classification of confidential, unless otherwise stated.
- e) In protecting its information assets, Duke Energy will comply with applicable laws and regulations; provided, however, that Duke Energy may require a higher level of security.
- f) Persons who use Duke Energy information assets are subject to monitoring. Persons who violate Duke Energy policy are subject to disciplinary action, up to and including, termination.
- g) Enforcement of IT Security policy, or lack of enforcement by Corporate IT Strategy and Compliance or other governing bodies, is not an indication of acceptance of a non-compliant practice.



IT 5000 – Enterprise Information Security Policy

IT 5000.2 Review of the Information Security Policy

To ensure consistent and current alignment with enterprise goals, legal and regulatory compliance, and maintenance of an effective enterprise security posture, Corporate IT Strategy and Compliance is responsible for measuring enterprise compliance with, and the effectiveness of, the IT 5000 Series documents through an enterprise compliance program. The IT 5000 Series documents will be reviewed to ensure they provide relevant guidance for the security of Duke Energy's information assets.

IT 5001 – IT Security Program Structure

Applicability: Enterprise
Originator: Corporate IT Strategy and Compliance
Approval: Information Technology Management Team (ITMT)

Approval Date: 05/01/2006
Revision Date:
Revision No:

Statement of Purpose

The IT 5000 Policy is Executive Management's "Statement of Commitment" to protecting Information assets, and serves as the official, authorized governing policy for Enterprise IT Security. Approved by the **Executive Committee (TBD)**, the IT 5000 Policy, and the supporting Standards and Procedures, define the minimally acceptable requirements for information security, and provide a consistent enterprise-wide approach to information asset protection.

IT 5001.1 IT Security Program Structure

The IT 5000 Series is comprised of a Policy (IT 5000), supporting Standards (IT 5001- 5010) and Procedures.

IT 5001.2 IT 5000 Series Maintenance Program

The IT 5000 Series Maintenance Program must ensure the IT 5000 Series (Policy, Standards, and Procedures) are properly controlled, revised, approved and disseminated. The Maintenance Program must comprise of the following components:

- a) An organizational structure that includes representation from cross-functional and organizational boundaries.
- b) A Change Management Process that includes modification triggers and levels of approval.
- c) Communications Management to include effective dates and compliance expectations.

For more information, see "IT 5001-01 IT 5000 Series Program".

IT 5001.3 Information Security Hierarchy: Roles and Authorities

This section defines the security program governance hierarchy.

IT 5001.3.1 Internal Organization

The Corporate Information Security organization is comprised of the following:

Chief Information Officer (CIO) – the CIO has authority to develop and implement Information Security policies and procedures for the enterprise.

Director of IT Security Strategy and Compliance – the Director of Corporate IT Strategy and Compliance has been delegated authority to act on behalf of the CIO on items of Information Security.

Corporate IT Strategy and Compliance – Corporate IT Strategy and Compliance is composed of information security subject matter experts (SME) and reports to the Director of Corporate IT Security.

IT 5001 – IT Security Program Structure

IT 5001.3.2 Management Commitment to Information Security

The approval of the IT 5000 Policy demonstrates management's commitment to Information Security.

IT 5001.3.3 Information Security Coordination

Coordinated groups are the committees or Business Unit areas that provide, or support, a security function.

Information Technology Management Team (ITMT) – chaired by the CIO and comprised of IT leaders from the major Business Units.

Information Security Council - chaired by the Director of Corporate IT Strategy and Compliance and comprised of management level representatives from the Business Units and/or functional areas; the ISC chair and/or the ITMT member nominates members and the ITMT endorse them.

Information Security Council Working Team (ISC WT) – chaired by a member of Corporate IT Strategy and Compliance department and comprised of SME's from the various functional areas; the ISC and/or ITMT members assign members.

Business Unit Information Security Function (BUISE) – individual or group assigned by each Business Unit; familiar with the IT 5000 Series documents and the business and operational requirements of the specific Business Unit.

IT Security Operations – Organizationally, accountable to the CIO.

IT Security Administration – Organizationally, accountable to the CIO.

Audit Services – IT Audit Services reporting to the CCO (Chief Compliance Officer).

IT 5001.3.4 Allocation of Information Security Responsibilities

CIO – has ultimate accountability for IT Security for the enterprise and is the final authority on matters of information security. See the ETIS SS&C Charter for specific responsibilities.

Director of IT Security Strategy and Compliance – the Director of Corporate IT Strategy and Compliance has been delegated authority to act on behalf of the CIO on items of Information Security.

Corporate IT Strategy and Compliance – corporate department composed of information security subject matter experts (SME). Provides security strategies and measures corporate compliance.

IT Security Operations – provides operational services consisting of intrusion monitoring, virus monitoring, spam prevention, CIRT, procedures investigations, Internet monitoring, and scanning services.

IT Security Administration – provides administrative services consisting of IT account management and access account administration.

Audit Services – reviews business activities to confirm compliance as part of their normal corporate role and reports the results to the CIO, Corporate IT Security, and the responsible Business Unit.

ITMT – approves modifications to the Policies and Standards and endorses modifications to Procedures; responsible for communicating IT Security related issues that affect their organizational areas of responsibilities, and approving exceptions that may effect the enterprise. See the 'ITMT Operating Guidelines' for specific responsibilities.

IT 5001 – IT Security Program Structure

ISC – endorses modifications to the policies and standards, approves modifications to procedures, and is an active member of the BUISE. See the ISC Charter for specific responsibilities.

ISC WT – reviews, designs, develops, or modifies the IT 5000 Series documents. See the ISC Charter for specific responsibilities.

BUISE – provides Business Unit coordination with Corporate IT Strategy and Compliance on issues concerning functional implementation of the IT 5000 Series documents. Responsibilities include but are not limited to the following:

- a) Provide communications, awareness, and compliance assistance within the Business Unit.
- b) Identify, develop and approve Business Unit specific information security standards and procedures, when corporate standards and/or procedures do not exist.
- c) Review and document exceptions to the IT 5000 Series. Exceptions that have the potential to impact systems beyond the business unit must be processed using the enterprise exception processes, see "IT 5010-01 Standard Exception".

5001.4 Departmental Names

Policy and Standard Designation	Departmental Name
Corporate IT Strategy and Compliance	Corporate group that is responsible for the development and implementation of IT security strategy, policies, and standards. As well as the development and implementation of IT Compliance programs.
Corporate IT Security Operations	IT Security Operations: Corporate group responsible for IDS, Virus protect, CIRT Process, etc.
Corporate IT Security Admin	IT Security Admin: Corporate group responsible for access account administration (NAM), GPO management, etc.
Corporate Security	Corporate Security group that is responsible for asset protection programs, available security training and other services for employees and management to help safeguard Duke Energy Corporation facilities and assets.

Table 1-1: Departmental Names

IT 5001 – IT Security Program Structure

5001.5 Acronyms

Acronym	Identifier
ACL	Access Control List
ASP	Application Service Provider
BUISE	Business Unit Information Security Function
CIO	Chief Information Officer
CIRT	Computer Incident Response Team
CoBE	Duke Energy Code of Business Ethics
COTS	Commercial off the Shelf
DAE	Duke Application Environment
DMZ	Demilitarized Zone
FTP	File Transfer Protocol
HTTP	Hypertext Transfer Protocol
ID	Identifier
IT	Information Technology
SDLC	System Development Life Cycle
SNMP	Simple Network Management Protocol
VPN	Virtual Private Network
WIP	Workforce Identification Process
SME	Subject Matter Expert

Table 1-2: Acronyms

IT 5002 – Asset Management

Applicability: Enterprise
Originator: Corporate IT Strategy and Compliance
Approval: Information Technology Management Team (ITMT)

Approval Date: 05/01/2006
Revision Date:
Revision No:

Statement of Purpose

This standard defines the requirements for the management and use of Duke Energy information assets.

IT 5002.1 Responsibility for Assets

Access to and the use of Duke Energy information assets implies certain user responsibilities. Persons who use these company information assets consent to the provisions of, and agree to comply with the requirements IT 5000 series.

IT 5002.2 Inventory of Assets

Each Business Unit is responsible for maintaining an inventory of their information assets. The inventory must identify the asset, the assigned owner or manager and be reviewed annually.

IT 5002.3 Ownership of Assets

Every component of an information system must have an individual assigned as the Owner. The Owner is responsible for ensuring Duke Energy information assets are properly managed and compliant with federal, state, and local laws, regulatory requirements, and the IT 5000 Series. Ownership responsibility must be reviewed annually or whenever there is a change in job responsibilities.

Note: Ownership is a functional definition, all Information Assets are the sole property of Duke Energy, whether internally developed or purchased.

There are six categories of ownership responsibility:

1. Information Sponsor – a vice president or manager of a Business Unit who is accountable for information security in their Business Unit and new or acquired entities. The Information Sponsor ensures that ownership responsibilities within their Business Unit are clearly defined and maintained and the necessary resources have been allocated to support Enterprise Information Security.
2. Information System Owner - a Duke Energy employee in a management position who is responsible for a specific Information System. The Information System Owner is responsible for the confidentiality, integrity, and availability of an Information system. The Information System Owner is responsible for ensuring the system has a defined business need and all aspects of the system; hardware, software, and information are properly managed. The Information System Owner may retain the responsibilities of the Information Owner and Information Technology Manager or may delegate all or part of the responsibility to others.
3. Information Owner - a Duke Energy employee in a management position who is responsible for specific information. The Information Owner is accountable for establishing security classifications and access

IT 5002 – Asset Management

authorization. Responsibilities include, but are not limited to, "IT 5002.5 Security Classification", "IT 5005 Communications and Operations Management" and "IT 5006 Access Controls". The Information Owner will perform these tasks or may delegate them to one or more Custodians.

4. Information Technology Manager – a Duke Energy employee in a management position who is responsible for specific information technology. The Information Technology Manager is accountable for management of the hardware, software, and networking assets that are required to manage information. Responsibilities include, but are not limited to, "IT 5004 Physical and Environmental Security", "IT 5005 Communications and Operations Management", "IT 5006 Access Controls", "IT 5007 Information Systems Acquisition, Development and Maintenance", and "IT 5009 Business Continuity Management". The Information Technology Manager will perform these tasks or may delegate them to one or more Custodians.
5. Custodian - a Duke Energy employee, joint venture participant, partner, contractor, vendor, agent or third party, or other authorized person who is responsible for support or maintenance of one or more component of an information system. Custodians are Subject Matter Experts (SME's) in their particular areas, and have been delegated responsibilities based on agreements with Information Owners or IT Asset Managers.
6. Information User - members of the Duke Energy workforce who use information asset(s) during the course of their work. Information Users are responsible for using information assets responsibly and only for authorized purposes. Information Users must take precautions to prevent the unauthorized disclosure of company information and must report suspected unauthorized disclosures or violations.

IT 5002.4 Acceptable Use of Assets

Information assets that the company provides the workforce must be used to facilitate and support company business objectives. Appropriate use of these assets is the responsibility of all members of the workforce.

IT 5002.4.1 Software

Each member of the workforce must abide by software licensing agreements in accordance with the "IT 2010 Software License Management Policy". The use of software on company information systems must be approved by management, see "IT 5007 Information Systems Acquisition, Development, and Maintenance", prior to installation. Any software that is loaded outside normal IT processes, i.e., workstation images, DAE-loaded, or other Business Unit software delivery processes; or that is not properly licensed or approved is subject to:

- a) Non-support, which may include re-imaging of the workstation (and removal of the software and potential loss of local information) to restore working functions.
- b) In the case of security issues, any restrictions, up to and including immediate and unannounced removal.

Additionally parties responsible for loading and/or using improperly-licensed software may be subject to disciplinary actions up to and including termination of employment or contract. For additional information, refer to "IT 5003.3.2 Disciplinary Process".

IT 5002.4.1.1 Monitoring or Remote Control Software

The use of monitoring or remote control software must be reviewed by Corporate IT Strategy and Compliance and is restricted to registered departments or groups.

IT 5002 – Asset Management

IT 5002.4.2 E-mail

E-mail communications generated on or received by Duke Energy systems remain the property of the company. Any E-mail messages sent, posted, or received are considered Duke Energy property and are subject to monitoring. Authorized personnel within the company have the right to access, review, copy, or delete, with out prior notification, any message or attachment within the E-mail system. General information about the appropriate use of e-mail can be found in "IT 4010 Appropriate Use of Email". Specific information about the security of email is described as follows:

Individual Accounts – e-mail accounts that are established for individual use. Each individual is accountable for the e-mail sent from their account. Sending messages from someone else's e-mail account, except under properly delegated arrangements, is prohibited.

Confidentiality and Integrity – Information sent via e-mail over the Internet with a security classification of "Confidential" must be encrypted and information with has a security classification of "Internal Use Only" must be reviewed by the Information Owner to determine the appropriate controls to ensure information confidentiality and integrity. The IT Security Methods gadget located on the Portal provides guidelines for encrypting e-mail information.

Auto-Forward – functionality that automatically forwards email to a Non-Duke address is not allowed.

Personal E-mail Accounts – personal accounts such as Hotmail and AOL must not be accessed when connected to a Duke Energy network.

Scanning – Inbound and outbound e-mails must be routed through the Duke Energy e-mail scanning infrastructure.

IT 5002.4.3 Logon Scripts

The use of auto-logon scripts is not allowed for any account type.

IT 5002.4.4 Hardware

All equipment, or hardware, provided by Duke Energy is the property of Duke Energy. The issuance and use of equipment must be authorized by management. Each member of the workforce must abide by the "IT 2000 Information Technology Asset Management" and "IT 5004 Physical and Environmental Security" policies.

IT 5002.4.4.1 Non-Duke Equipment

Non-Duke equipment is not allowed to be remotely or locally (direct or wireless) connected, to any Duke Energy information asset. If a specific business need arises where a vendor, contractor or consultant requires an Internet connection an isolated connection can be provided. For additional information, see "IT 5006.4 Network Access Control".

Note: This does not preclude the use of Non-Duke Equipment to access Portal or remote web-based services, i.e., email services.

IT 5002.4.5 Internet

Access to the Internet from Duke Energy networks is only allowed when using Duke Energy approved hardware and software. Users are responsible for maintaining the security of information sent over the Internet as determined by the information security classification.

IT 5002 – Asset Management

IT 5002.4.5.1 Disclosure

Information disclosed using the Internet (discussion groups, company web sites) must be in accordance with the Code of Business Ethics.

IT 5002.4.5.2 Inappropriate Activities

Internet activity is considered public and users must conduct their activity in accordance with company policies and standards and the Code of Business Ethics. Internet activity may be monitored for inappropriate use and violations are subject to disciplinary action.

IT 5002.5 Security Classification

Security Classification is used to establish the controls necessary for protecting information assets and provides for a common understanding of the information asset's value in terms of confidentiality, integrity and accessibility.

IT 5002.5.1 Classification Guidelines

A Security Classification must be assigned to all information assets within a system to ensure the information is appropriately secured. The Information System Owner is responsible to ensure a security classification is assigned, the necessary controls are applied, and that both the classification and security controls are maintained.

The Information System classification is determined by the classification of the information that is being stored, processed or transmitted within the information system. It may also be determined based on the service the system provides, such as security camera or badge systems. Information Owners and Information System Owners must provide the Information Technology Manager with the appropriate system classification rating.

- a) Information Classification - the Information Owner must initially classify the information based on the information's attributes and in compliance with Duke Energy's Records Management Standard. If one of the information attributes merits a higher classification than the rest, then the entire information is subject to the higher security classification. The Information Owner must review the information classification annually and whenever there is a change to an information attribute.
- b) Information Technology Classification - the Information Technology Manager must ensure the same classification is assigned to the information technology assets as assigned to the associated information or system service. Shared assets or services must be classified based on the highest classification level assigned to an individual component within the system.

IT 5002.5.2 Security Classifications

Information must be assigned to one of the following Security Classifications

- a) Public - Information designed for the distribution both to Duke internally and to the public. This information requires minimal security protection and is easily reproduced, i.e., marketing brochures.
- b) Internal - Information primarily designed for Duke's internal use that can also be disclosed to external parties with minimal adverse consequences to the enterprise. Internal information includes general business-related information that does not fall under higher classifications, i.e., procedure manuals.
- c) Confidential - Information available internally, and only on a 'need to know' basis. Confidential information has a very limited distribution to specific individuals, under strict security controls. Confidential information

IT 5002 – Asset Management

pertains to customers, employees, financial planning, strategic planning, etc. It is intended for use only by specific groups of employee, i.e., payroll information, financial forecasts, security files, etc. This information is highly sensitive and is essential for the company to achieve its mission and meet its legal requirements.

Note: Confidential is the default classification for all information unless otherwise specified and approved by the designated asset owner.

5002.5.2.1 Potential impact of Unauthorized Disclosure of Information

Public – none, with the exception of public information stored on externally accessible systems. Disclosure would not benefit a competitor, harm Duke Energy, or breach any confidentiality.

Internal - would have an adverse impact on Duke's mission, finances, operations, or public image. The impact would place Duke at a significant competitive disadvantage, expose them to significant financial loss, cause a breach of fiduciary or regulatory obligations, damage Duke's public credibility, or cause other serious damage to Duke's customers or employees.

Confidential – would have a significant impact on Duke's mission, finances, operations or public image. The result would potentially cause irreparable harm and prove difficult to remedy. The results would be a material loss of revenues, profits, or other materially adverse financial impacts, severe public embarrassment, or severe damage to Duke's competitive position.

IT 5002.6 Information Asset Controls

Information assets must be protected at a level commensurate with the security classification. Confidentiality or sensitivity of an information asset must be a consideration when applying controls. Information security consists of physical and logical controls. For more information, see "IT 5004 Physical and Environmental Security" and "IT 5006 Access Controls".



IT 5003 – Human Resources Security

Applicability: Enterprise
Originator: Corporate IT Strategy and Compliance
Approval: Information Technology Management Team (ITMT)

Approval Date: 05/01/2006
Revision Date:
Revision No:

Statement of Purpose

This standard establishes security requirements for managing employees, contractors, and third parties that use, have access to, or have custody of Duke Energy's information or information assets.

IT 5003.1 Prior to Employment

Duke Energy is committed to ensuring that employees, contractors, and third parties have been properly screened prior to performing tasks or being granted access to information assets.

IT 5003.1.1 Roles and Responsibilities

Each member of the Duke Energy workforce is bound by the confidentiality requirements defined in CoBE, for safeguarding company information assets and for compliance with the IT 5000 Series.

IT 5003.1.2 Screening

Screening of individuals will be conducted in accordance with Human Resources (HR) policy "HR 5001 Screening Standard: Prior to Employment". Managers of departments that deal with confidential information assets are responsible for stating in the corresponding job description that the position requires access to confidential assets. Access must not be granted until the company background check process is complete.

IT 5003.1.3 Terms and Conditions of Employment

Terms and Conditions of Employment are defined by HR policies.

IT 5003.2 During Employment

Information security is an ongoing process and requires the workforce to be security focused. Members of the workforce are responsible for understanding the IT 5000 Series and maintaining current knowledge to effectively comply with information security.

IT 5003.2.1 Management Responsibilities

Management must promote information security as a required part of conducting business and must ensure that the workforce implements information security practices as defined in the IT 5000 Series.

IT 5003 – Human Resources Security

IT 5003.2.2 Disciplinary Process

Security events and company policy violations are subject to investigation, the results of which will be reported to management. Appropriate disciplinary action, up to and including termination, may result. For details see "HR 3000 Corrective Action Policy"

IT 5003.3 Information Security Awareness and Training

Business Unit management is responsible for promoting constant security awareness to all members of the workforce. Corporate IT Strategy and Compliance is responsible for defining the overall security awareness program and supporting the efforts of Business Units.

IT 5003.3.1 Compulsory Training

Business Unit management must ensure that members of the workforce complete the Security Awareness Computer Based Training (CBT) at time of employment and annually thereafter. This training is available on the company portal. Additional training may vary according to needs and can be customized by Corporate IT Strategy and Compliance and/or Business Units.

IT 5003.3.2 Information Technology Employees

Information Technology employees with responsibility for developing, maintaining or administering applications or information systems may receive ongoing training relevant to their area of responsibility through periodic security awareness briefings as deemed necessary by the employee's management or Corporate IT Strategy and Compliance.

IT 5003.3.3 Contractors and Third Parties

Contractors and third parties who access company information systems must complete the Security Awareness Training and provide acknowledgment of completion. In addition they must be provided access and directed to the Corporate IT Strategy and Compliance website: "Policy, Standards, and Procedures" section, or be provided a copy of the applicable IT 5000 Series documents.

IT 5003.4 Termination or Change of Employment

Voluntary and involuntary terminations or change in employment status within Duke Energy will be conducted according to HR policies.

IT 5003.4.1 Return of Assets

Company information assets must be collected by the department manager during the exit process.

IT 5003.4.2 Removal of Access Rights

Access to information assets by individuals will only be granted in support of specific business needs. When an individual no longer needs access, the access rights must be disabled. The following conditions apply:

Transfer - within seven calendar days of the effective date of a user transfer, the manager of the department the individual is transferring out of must ensure information system access that is no longer required is removed.

IT 5003 – Human Resources Security

Extensions beyond the seven day limit must be approved by the Information Owner or IT Technology Manager. The managers of departments that are effected by regulatory requirements, such as Affiliate Rules, are responsible for ensuring that Affiliate Rules are followed.

Voluntary Termination - within one business day of the effective date of a user termination, the manager of the department in which the individual was a member must ensure that information systems accounts are disabled.

Involuntary Termination - immediately upon termination, the manager of the department in which the individual was a member must ensure that their all information system access rights are disabled.

IT 5004 – Physical and Environmental Security

Applicability: Enterprise
Originator: Corporate IT Strategy and Compliance
Approval: Information Technology Management Team (ITMT)

Approval Date: 05/01/2006
Revision Date:
Revision No:

Statement of Purpose

This standard defines the physical and environmental security requirements for Duke Energy facilities containing information assets, and facilities used in support of information system operations.

IT 5004.1 Secure Areas

Physical access to Duke Energy facilities and their supporting infrastructure (communications, power, and environmental) must be controlled to prevent and detect unauthorized entry into these areas. Physical security controls must be proportionate with the value of the information assets in the facility.

IT 5004.1.1 Physical Security Perimeter

The physical security perimeter defines the physical boundaries of the secure areas protecting Duke Energy information assets. Processing facilities or buildings that house information assets must be protected by physical security controls that prevent unauthorized individuals from gaining access. Processing facilities or buildings that house information assets must have an individual responsible for the physical access and environmental controls. Business Units must ensure that physical perimeters are defined and documented. Facilities affected by regulatory requirements, such as Affiliate Rules, may require additional security perimeters.

IT 5004.1.2 Physical Entry Controls

Corporate Security must be consulted prior to implementing physical security measures.

IT 5004.1.2.1 General Office Buildings

Each general office building is unique in its use and content. Corporate Security must perform a vulnerability assessment to determine mitigation measures.

IT 5004.1.2.2 Processing Facilities

Processing facilities generally require more stringent access controls than office buildings. A processing facility must have an assigned Facility Manager who is responsible for ensuring that:

- a) Physical access is limited to authorized personnel.
- b) Access authorization to these facilities will only be granted in support of business needs.
- c) Access authorization is reviewed annually and revoked immediately if no longer needed.

IT 5004 – Physical and Environmental Security

The following table defines the minimum levels of access controls, monitoring, and security logs required for different types of processing facilities.

Area to Protect	Access Controls	Monitoring	Security Logging
Data center	Card key access Equipped with doors that automatically and immediately close after they have been opened and an audible alarm must sound in a monitored area when the door has been kept open beyond a reasonable period of time	By at least one of these: Video surveillance of personnel entering the area (monitored 24 x 7) Observation of personnel entering the area by 24 x 7 staff	By at least one of these (time in/time out): Card Key log Personnel logging (recorded log with account validation by staff)
Server room, telecommunication room, telecommunication closets	Locked doors with a key management process Always secured		

Table 5-1: Processing Facility Controls

IT 5004.1.3 Securing Offices, Rooms, and Facilities

Business Units are accountable for securing office space proportional to the value of the information asset. Examples of acceptable physical security methods are cable lock, locked room, or desk.

IT 5004.1.4 Protecting Against External and Environmental Threats

Information assets must be protected from external and environmental threats such as theft, tampering, fire, water, or acts of nature. Appropriate controls must be established to secure information assets to prevent theft during or after external or environmental events.

IT 5004.1.5 Working in Secure Areas

Secure areas are those that require authorization for access. Authorized personnel must not allow unknown or unauthorized individuals into these areas. Authorized personnel are responsible for ensuring they are not tailgated by unauthorized personnel. Company security (security guards at the location) must be notified of unauthorized personnel in a secured area.

IT 5004.2 Equipment Security

Security controls must be applied to prevent the loss, damage, theft, compromise, and interruptions to Duke Energy's activities. The following conditions apply to equipment:

IT 5004 – Physical and Environmental Security

IT 5004.2.1 Equipment Location and Protection

Measures must be taken to minimize the risks of a physical or environmental event occurring or spreading from adjoining locations. Steps must be taken to ensure that location specific threats (i.e., temperature, fire, explosive, smoke, theft, water, water supply, dust, vibration, chemical effects, electromagnetic interference, electric supply interruption, communications interference, vandalism, seismic activity, and meteorological threats) are properly assessed and accounted for when determining where to locate information assets.

IT 5004.2.1.1 Mobile Equipment

Portable devices must not be left unattended and must be physically secured at all times. Portable devices must not be checked as luggage when traveling or left in open view when left in an unattended vehicle. Examples of acceptable physical security methods are a locked trunk, cable lock, locked room or desk.

IT 5004.2.2 Secure Disposal or Re-Use of Equipment

Information assets that are to be disposed of or re-used must be cleansed to ensure Duke Energy information and identifying labels are removed. Disposal or re-use cleansing must occur when an information asset:

- a) Is sold or surplused
- b) Is released as part of a divestiture, unless legal obligations require otherwise.
- c) Has reached end of lease
- d) Is a removable component, such as disk drive or other media, being retired
- e) When an information asset is transferred internally.

IT 5004.2.2.1 Logical Cleansing

Storage media containing information must be cleansed through a media cleansing tool (for re-usable hard drives), degaussing tool (for magnetic media, i.e., floppy disks or tapes), or physical destruction (for other media, i.e., compact disks or NVRAM). Only use Corporate IT Strategy and Compliance approved cleansing tools and procedures.

IT 5004.2.2.2 Physical cleansing

Remove identifiable information, such as the Duke Energy asset tags.

IT 5005 – Communications and Operations Management

Applicability: Enterprise
Originator: Corporate IT Strategy and Compliance
Approval: Information Technology Management Team (ITMT)

Approval Date: 05/01/2006

Revision Date:

Revision No:

Statement of Purpose

This standard establishes requirements for acceptable and secure operation of information assets.

5005.1 Operational Procedures & Responsibilities

Business Units must maintain operational procedures for secure operations of information assets. These procedures must be in accordance with enterprise standards, must not be in conflict with enterprise procedures, and must include appropriate controls for configuration management, change management, and system backup.

5005.1.1 Configuration Management

The information technologies incorporated at Duke must be configured using a consistent build process. The process must provide for the development, test, approval, and maintenance of a standard configuration for each technology. Corporate IT Strategy and Compliance must review all new or modified security related standard configuration settings prior to implementation to ensure minimum security baselines have been met. Information Technology Managers must establish and maintain the overall standard configuration build documentation. Corporate IT Strategy and Compliance must establish and maintain the baseline security configuration settings. Protocols, services or applications (such as Telnet, FTP, and HTTP) that are not defined in the standard configuration are not allowed.

5005.1.2 Change Management

Changes to Information assets must be managed pursuant to "IT 3010 Technology Change Control". Business Units are responsible for ensuring that change management processes captures the history of all changes and maintain the change history as determined by company retention standards

Changes that impact security settings must be reported to Corporate IT Strategy and Compliance before implementation.

5005.1.3 System Back-up

Each Business Unit must maintain an operational strategy and associated procedures for back-up and recovery of information systems. For more information, see "IT 5009 Business Continuity Management".

IT 5005 – Communications and Operations Management

5005.2 Third Party Delivery Management

Controls must be in place to ensure that third party contracts provide for the protection of Duke Energy's information assets and that vendors comply with Duke Energy's security requirements.

IT 5005.2.1 Service Delivery

Corporate IT Strategy and Compliance must be included in the third party contract review process. Third party contracts must contain explicit language addressing security performance expectations, performance metrics, Duke's right to review for compliance, and consequences for failure to perform. Corporate IT Strategy and Compliance must be part of the contract review process prior to signing.

IT 5005.2.1.1 Application Service Providers

Prior to contracting Application Service Provider (ASP) services, the ASP's information security architecture and practices must be evaluated by Corporate IT Strategy and Compliance. Any issues or concerns need to be reviewed by the ASP Review Board. For additional requirements, see "IT 5005.8 Exchange of Information".

5005.2.1.2 Third Party Connections

Third party connections expose the company to risks that cannot be managed through normal controls. Therefore, each connection request must be assessed to determine the level of controls needed for a secure connection. Third party connections must be authorized and registered with Corporate IT Strategy and Compliance and reviewed annually, see "IT 5005-01 Third Party Connection Procedure" for guidance. At a minimum, third party remote connections must have a Duke Energy Sponsor who is responsible for:

- a) Coordinating with internal departments on behalf of the third party.
- b) Ensuring the following controls are enforced:
 - The access must be disabled when not in use and only select Duke Energy employees can authorize the access to be enabled.
 - Access cannot be authorized and also enabled by the same person. One individual must authorize the access, and another individual must enable it.
 - The control point must always be at the destination resource (Vendor ID on the server).
- c) If Non-Duke Equipment is used as the remote device it must:
 - Be part of a configuration management program that ensures active and current virus protection is running on all client machines and operating systems have up to date patches and/or maintenance levels as determined by the operating system vendor recommendations.
 - Not have concurrent connections to other networks by any means while connected to Duke Network. This includes, but is not limited to, dial-up, wireless, or direct cabling.
 - Not have reconnaissance software used for sniffing, monitoring or other similar activities running while connected to a Duke Energy asset.
 - Not provide broadcast request services, such as DHCP.

IT 5005 – Communications and Operations Management

5005.2.1.2.1 Third Party VPN

Third party VPN connection requires a signed Network Access Agreement which details the terms and conditions under which the Third party VPN connection is permitted. The connection point must terminate in the perimeter network on a device configured for handling VPN traffic.

5005.2.1.2.2 Third Party Dial-In

Third party dial-in connections to Duke Energy networks are only allowed through the controls established through remote access services and routing controls established at the firewall.

Direct modem connections that allow approved third parties access to an individual information asset for support must only be active during the support session. When the session is complete, the line or modem must be disabled.

5005.3 Protection Against Malicious & Mobile Code

Controls must be established to protect Duke Energy Information assets against loss of availability and unauthorized modification or destruction caused by malicious software. Malicious software refers to any software, which causes destruction, damage, or unauthorized changes to software or information.

5005.3.1 Controls Against Malicious Code

Anti-virus software, i.e., real-time scanning, must be enabled on all Duke Energy servers, workstations, hosts, and computers. The following conditions apply:

- a) Virus protection must not to be disabled or removed from Duke Energy information assets.
- b) Platform-specific anti-virus software must be maintained at all times.
- c) Workstations must be scanned whenever they are accessed and at least once every quarter.
- d) Servers must be scanned whenever they are accessed.
- e) All anti-virus software must be updated with the most recent version, as it becomes available.
- f) Anti-virus software that scans incoming and outgoing e-mail and attachments must be enabled on all e-mail gateways or servers.

5005.4 Network Security Management

Network security management ensures that Duke Energy networks are authorized and effectively managed. For additional information about Network Access Controls, or connecting to the Duke Energy common network, see "IT 7007.4, Network Access Controls".

5005.4.1 Authorization

Networks must have a defined business need and must be authorized by an Information Sponsor.

IT 5005 – Communications and Operations Management

5005.4.2 Configuration

All networks (test, development, production, wired, and wireless) must be configured and managed by authorized departments that are on record with Corporate IT Strategy and Compliance. All changes to network configurations must be managed in accordance with Section 5005.1.2 Change Management.

5005.5 Media Handling

Media containing information must be securely managed in order to prevent unauthorized access, modification, or removal.

5005.5.1 Management of Removable Media

Removable media i.e., diskettes, CDs, USB portable storage devices must not be left unattended and must be physically secured at all times. Media containing information with a security classification of confidential must be stored in a locked container, i.e., desk or file cabinet, or stored in a room designated for the secure storage of information not in use. If the information is encrypted, only those encryption technologies approved by Corporate IT Strategy and Compliance are acceptable for use.

5005.5.2 Disposal of Media

Media containing information with a security classification of confidential must be disposed of through degaussing for magnetic media, i.e., floppy disks or tapes, or physical destruction for other media, i.e., compact disks or NVRAM. Media containing information with a security classification of Internal Use Only must be evaluated to determine if degaussing is required. At a minimum all media must be reformatted prior to disposal.

5005.5.3 Information Handling Procedures

Areas that are used for information storage, i.e., datacenters, magnet tape storage facilities, etc. must be restricted to personnel whose job responsibilities require such access.

5005.6 Exchange of Information

Information security controls must be implemented to ensure appropriate use and protection of information exchanged outside of Duke Energy. These controls must take into consideration that the information will be traveling through Non-Duke networks and may be exposed to external sources that may not provide the same level of security as Duke Energy.

5005.6.1 Information Exchange Policies and Procedures

Information exchanged outside of Duke Energy must be evaluated to ensure the appropriate level of security is maintained. Corporate IT Strategy and Compliance can provide assistance in determining the required level of security. Additional guidance regarding information exchange using the Internet and email can be found in "IT 5002 Asset Management".

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5005.6.2 Exchange Agreements

Agreements, or contracts, that involve the exchange of information must contain language that specifies the expectations for securing all information. The language must:

- a) State that information with a security classification above Public, transmitted to and entrusted in their care, will not be disclosed to unauthorized parties.
- b) Provide Duke Energy with rights to examine and test the security architecture, infrastructure, and practices.
- c) Include provisions for the return or destruction of information.
- d) Define the penalties should a breach in security occur as a result of negligence.

5005.7 Electronic Commerce Services

Information security controls must be implemented that ensure the appropriate use and protection of Duke Energy electronic commerce services. These controls must take into consideration the availability and integrity of information traveling through different internal and external networks.

5005.7.1 DMZ (Demilitarized Zone)

DMZ architectural design must be approved by Corporate IT Strategy and Compliance. Modifications are subject to review and approval. At a minimum, DMZ architecture must consist of network devices (routers and firewalls) that separate network segments or tiers. The following is required for all DMZs:

- a) Communications between the DMZ and the internal network must be restricted to the necessary protocols only and must be approved by Corporate IT Strategy and Compliance.
- b) A single protocol is not allowed to cross both an external and an internal DMZ network boundary, i.e., a firewall.
- c) DMZ-based devices must be vigilantly maintained, i.e., "patched".
- d) Intrusion detection and other protocol/content filtering mechanisms (i.e., antivirus, e-mail scanners) must be leveraged to intercept hackers and malicious code before they can penetrate the internal network.
- e) FTP will only be used from specified FTP servers in the DMZ and must be called from applications or components in the DMZ. Refer to "IT 5005-02 External FTP Server Configuration" for information.

5005.7.2 Electronic Commerce

Digital signatures must be used to authenticate all material transactions, for example, EDI or other document exchange with external parties communicated over public networks.

5005.7.3 On-Line Transactions

Internet connections must be encrypted prior to and during the transmission of information with a security classification above Public for Duke Energy customer and employee portals. The level of encryption must be at least 128 bits.