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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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In The Matter of the Application of)	
Duke Energy Ohio, Inc. for an)	Case No. 07-589-GA-AIR
Increase in Gas Rates)	
)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc. for Approval)	Case No. 07-590-GA-ALT
of an Alternative Rate Plan for its)	
Gas Distribution Service)	
)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc. for Approval)	Case No. 07-591-GA-AAM
to Change Accounting Methods)	

VOLUME 5

SCHEDULE S-4.2
(PART 2 OF 3)

**Duke Energy Ohio, Inc.
Case No. 07-589-GA-AIR**

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

Schedule S-4.2

Volume 2 of 3

**DUKE ENERGY CORPORATION
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATIONAL
SCHEDULE S-4.2**

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**DUKE ENERGY CORPORATION
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATIONAL
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**DUKE ENERGY CORPORATION
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATIONAL
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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

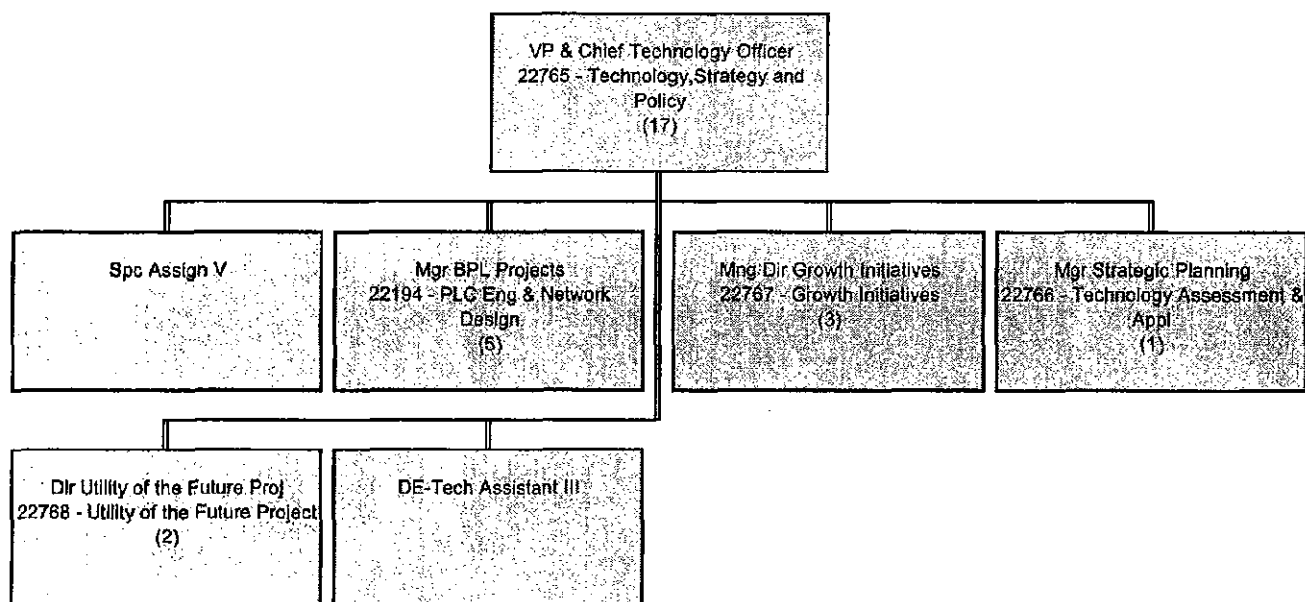
Internal communication results from daily informal interaction among the individuals in the group as well as interactions with individuals from the business units and other corporate center groups. Additionally, more formal staff meetings and issue-specific meetings are conducted as warranted. Other 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.

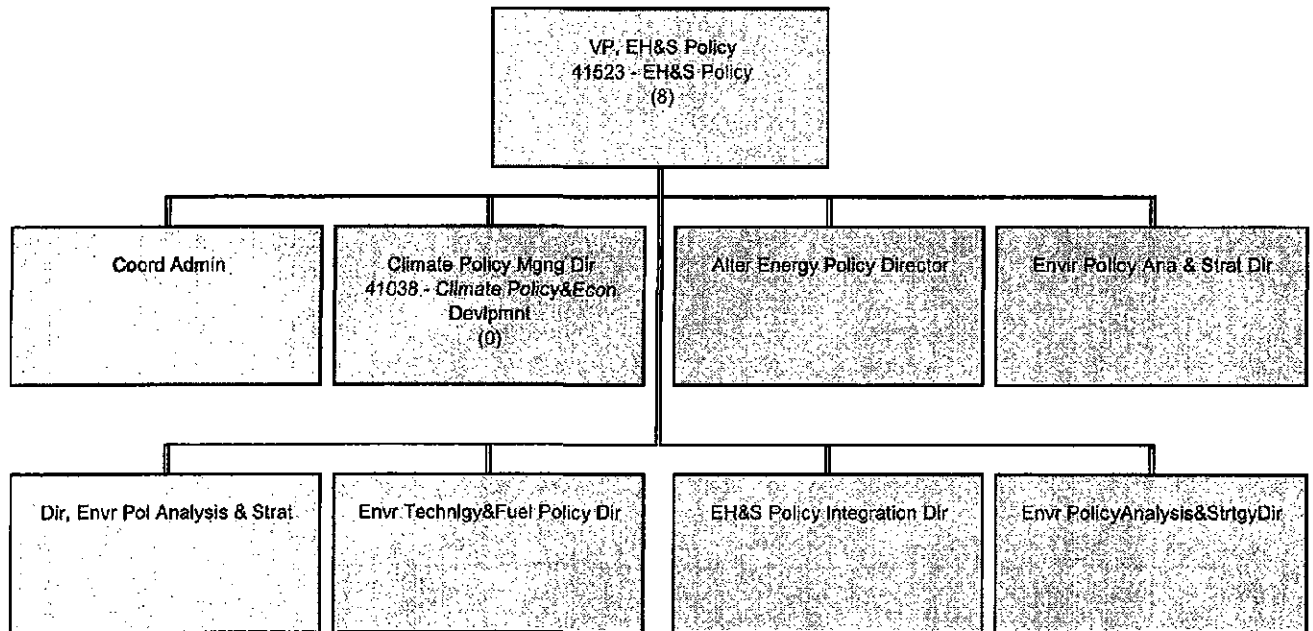
External communications focus on federal Administration officials and their respective staffs, various trade associations of which the Company is a member, national environmental groups; investment groups which advocate for environmental responsibility; elected officials, when appropriate and in coordination 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.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

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

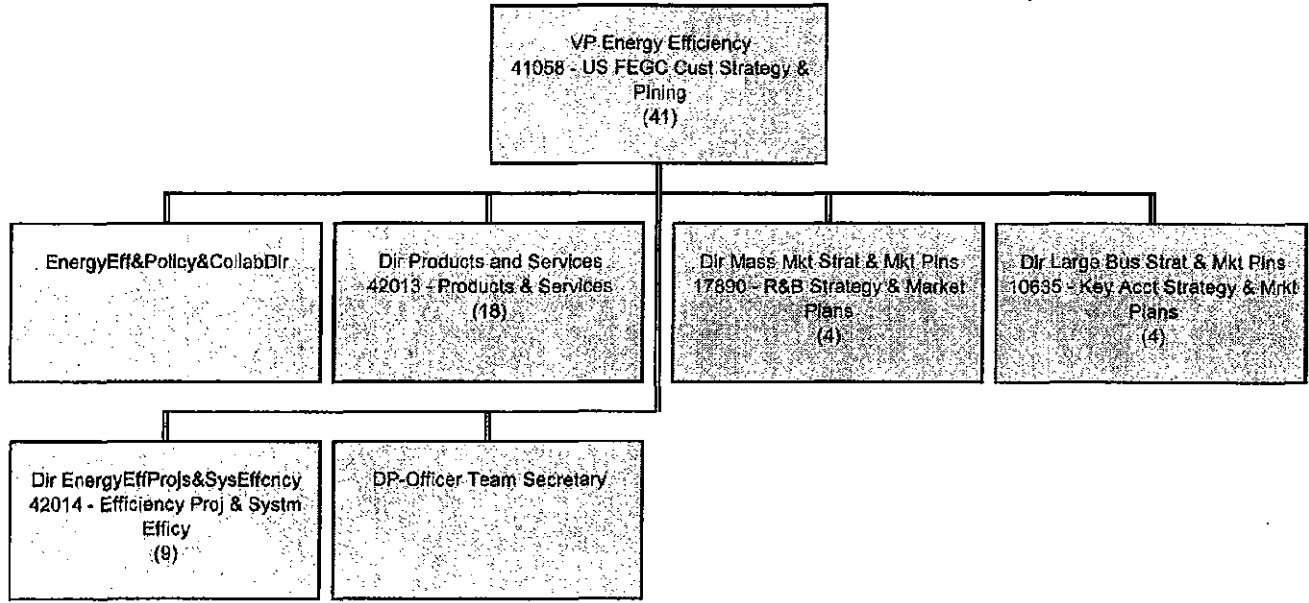
A large part of internal communication results from daily informal interaction among department personnel. This is augmented by regular meetings as well as written communications such as memos, e-mail, etc. The group communicates on a regular basis with the Business Units as well as with other Corporate 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.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

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

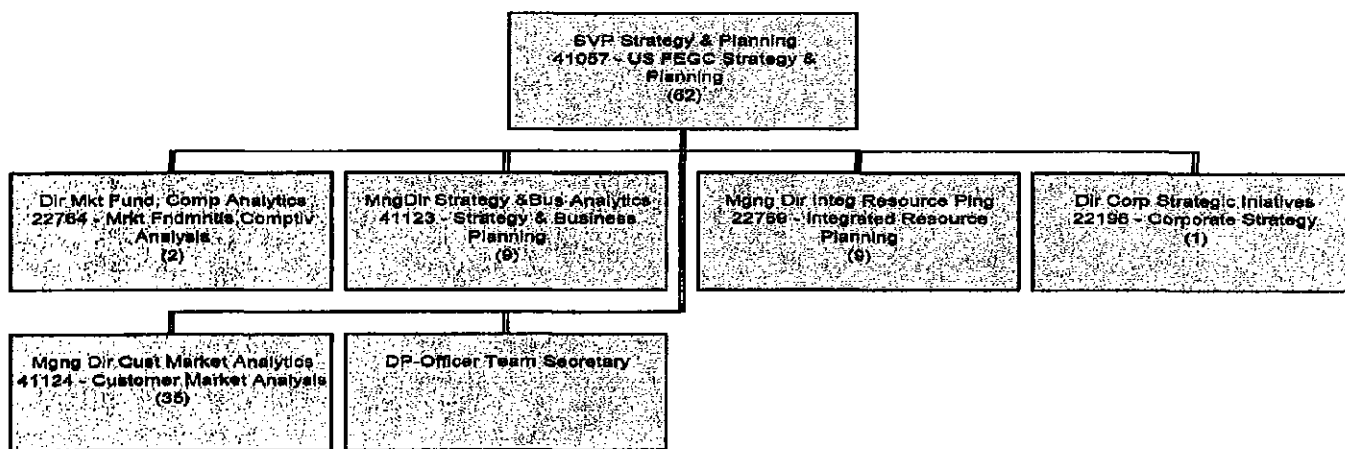
A large part of internal communication results from daily informal interaction among department personnel. This is augmented by regular meetings as well as written communications such as memos, e-mail, etc. The group communicates on a regular basis with the Business Units as well as with other Corporate 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

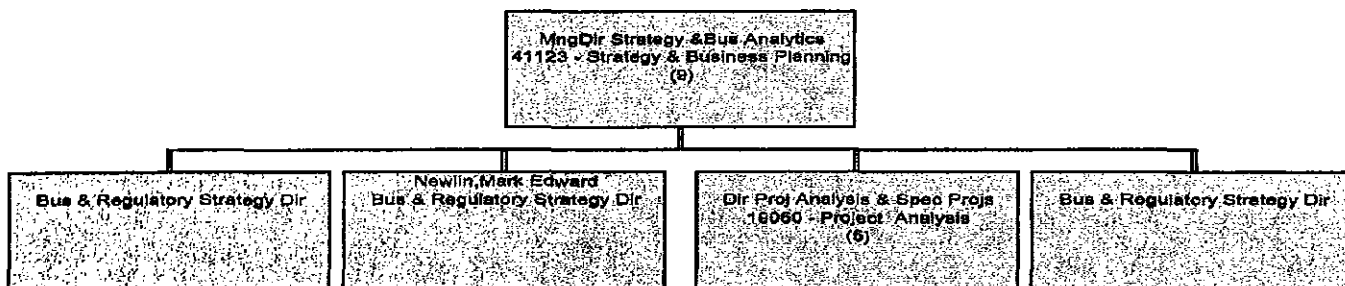
Performance of the group is usually measured by feedback from its customers. These include members of the executive management team as well as employees from other departments that interact with the Strategy and Planning group. The group solicits feedback through surveys and direct interviews.

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

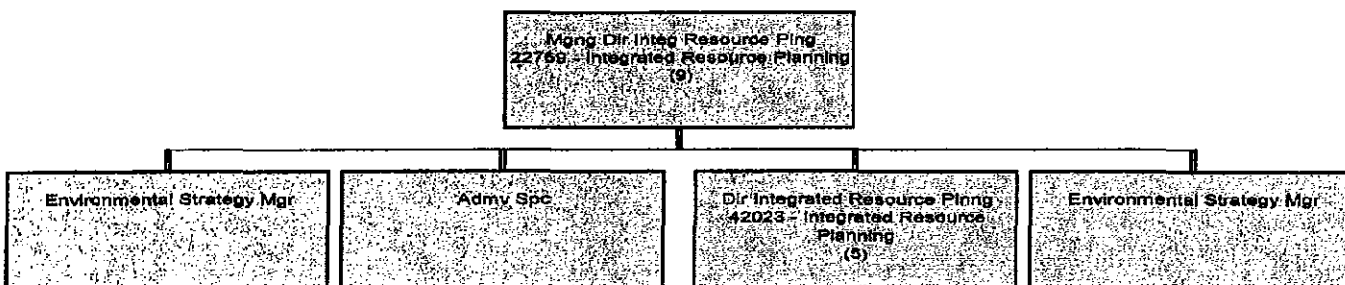
Senior Vice President Strategy & Planning



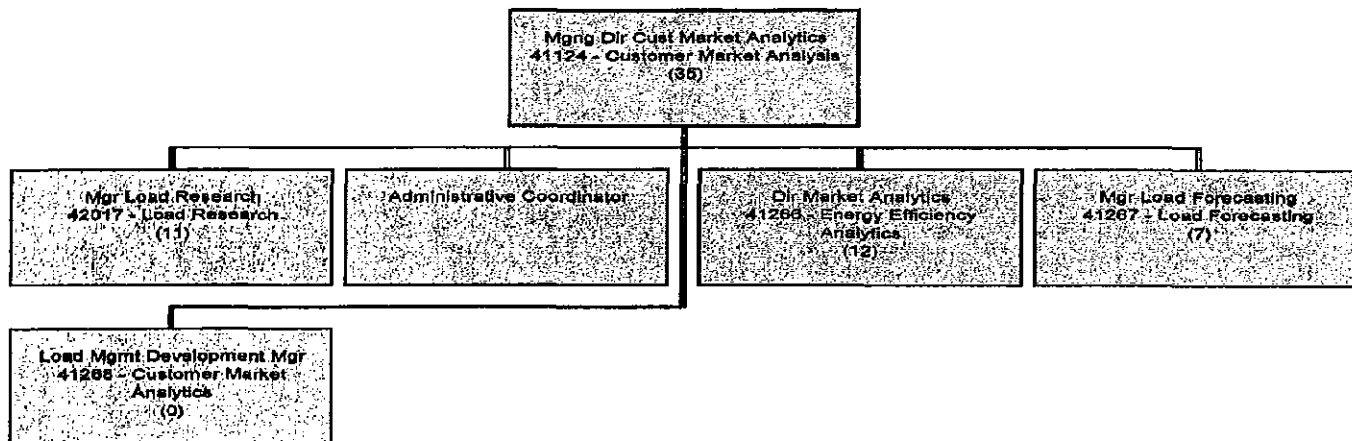
Managing Director Strategy & Business Analytics



Managing Director Integrated Resource Planning



Managing Director Customer Market Analytics



DUKE ENERGY
DUKE ENERGY OHIO
SUMMARY OF MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION
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 Group Executive and Chief Strategy and Policy Officer.

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 Group Executive and Chief Strategy and Policy Officer. The 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 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 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 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.

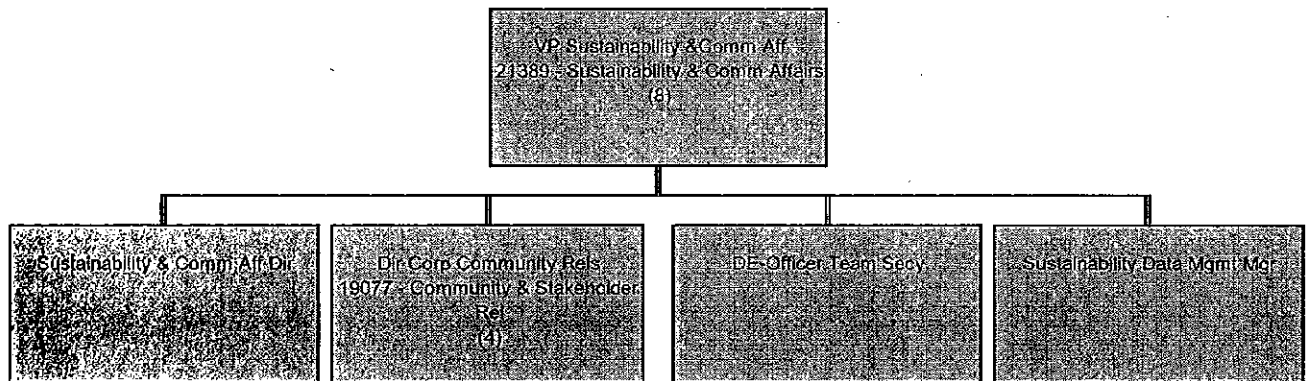
VIII. Goal Attainment and Qualification

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 Vice President of Sustainability and Community Affairs submits supporting evidence and reports on whether or not each of the department goals was met. The Group Executive and Chief Strategy and Policy Officer assesses whether or not each department goal was met and if the goal is deemed to be met, to what extent (minimum, target, maximum).

DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Vice President Sustainability & Community Affairs



OUR PATH FORWARD



our charter



We are Duke Energy, a leading energy services company focused on electric power and gas distribution operations in the Americas. We energize our communities and enhance the quality of life for the people who live there.

Our purpose is to create superior and sustainable value for our customers, employees, communities and investors through the production, delivery and sale of energy and energy services.

To be successful in 2007 and beyond, we must:

- Establish the identity and culture of the new Duke Energy, unifying our people, values, strategy, processes and systems
- Optimize our operations by focusing on safety, simplicity, accountability, inclusion, customer satisfaction, cost management and employee development
- Achieve public policy, regulatory and legislative outcomes that balance our customers' needs for reliable energy at competitive prices with our shareholders' expectation of superior returns
- Invest in energy infrastructure that meets rising customer demands for reliable energy in an energy-efficient and environmentally sound manner
- Achieve 2007 financial objectives and position the company to meet future growth targets

In conducting our business, we value:

- **Stewardship** – A commitment to health, safety, environmental responsibility and our communities
- **Integrity** – Ethically and honestly doing what we say we will do
- **Safety** – A relentless commitment to working safely and looking out for the safety of our co-workers and others with whom we do business
- **Respect for the Individual** – Embracing diversity and inclusion, enhanced by openness, sharing, trust, teamwork and involvement
- **High Performance** – Achieving superior business results, stretching our capabilities and valuing the contributions of every employee
- **Win-Win Relationships** – Having relationships which focus on the creation of value for all parties
- **Initiative** – Having the courage, creativity and discipline to lead change and shape the future

We will be successful when:

- Our investors realize a superior return on their investment over time
- Our customers, suppliers and communities benefit from our business relationships
- Every employee starts each day with a sense of purpose, and ends each day safely with a sense of accomplishment

2007 Charter
Duke Energy, a leading energy services company, is focused on electric power and gas distribution operations in the Americas. We energize our communities and enhance the quality of life for the people who live there.

Our purpose is to create superior and sustainable value for our customers, employees, communities and investors through the production, delivery and sale of energy and energy services.

To be successful in 2007 and beyond, we must:

- Establish the identity and culture of the new Duke Energy, unifying our people, values, strategy, processes and systems
- Optimize our operations by focusing on safety, simplicity, accountability, inclusion, customer satisfaction, cost management and employee development
- Achieve public policy, regulatory and legislative outcomes that balance our customers' needs for reliable energy at competitive prices with our shareholders' expectation of superior returns
- Invest in energy infrastructure that meets rising customer demands for reliable energy in an energy-efficient and environmentally sound manner
- Achieve 2007 financial objectives and position the company to meet future growth targets

In conducting our business, we value:

- **Stewardship** – A commitment to health, safety, environmental responsibility and our communities
- **Integrity** – Ethically and honestly doing what we say we will do
- **Safety** – A relentless commitment to working safely and looking out for the safety of our co-workers and others with whom we do business
- **Respect for the Individual** – Embracing diversity and inclusion, enhanced by openness, sharing, trust, teamwork and involvement
- **High Performance** – Achieving superior business results, stretching our capabilities and valuing the contributions of every employee
- **Win-Win Relationships** – Having relationships which focus on the creation of value for all parties
- **Initiative** – Having the courage, creativity and discipline to lead change and shape the future

We will be successful when:

- Our investors realize a superior return on their investment over time
- Our customers, suppliers and communities benefit from our business relationships
- Every employee starts each day with a sense of purpose, and ends each day safely with a sense of accomplishment

ABOUT THIS REPORT

This is Duke Energy's first sustainability report. It highlights our past progress, presents the challenges and opportunities we face and offers our view of the future.

We based the content of this report on the interests of environmental groups and other non-government organizations, investors, academic institutions and large customers. We believe that our community partners and industry peers will also find this report useful.

To provide an independent assessment of this report, we contracted with Business for Social Responsibility (BSR, at www.bsr.org) to review and comment on its scope and content. BSR's opinion is on page 32.

This document presents our 2006 results within our sustainability framework for the future. We also provide historical information where consistent data for Duke Energy and its recent merger partner, Cinergy, were available.

While this report was not structured to conform to the 2006 Global Reporting Initiative (GRI) guidelines, a broad index to GRI indicators can be found on page 30. A more detailed index to the GRI indicators can be found on our Web site at www.duke-energy.com/environment/sustainability.asp. With the information on our Web site, we believe we meet GRI Application Level B.

The theme of this sustainability report is "Our Path Forward," and we are, indeed, moving ahead. We hope you'll join us as we navigate the important environmental, economic and social issues of our time.

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Wetlands at Cayuga Station in Indiana.

DUKE ENERGY CORPORATE PROFILE

In 2006, Duke Energy completed a number of strategic actions. These included a merger with Cinergy in April, the creation of a joint venture with Morgan Stanley Real Estate Fund and the spinoff of our natural gas pipeline business. The company's current businesses include:

- **U.S. Franchised Electric and Gas** – which operates in North Carolina, South Carolina, Indiana, Ohio and Kentucky. This is our largest business segment and our primary source of earnings growth. We expect this business unit to generate approximately 80 percent of forecasted 2007 ongoing total segment

earnings before interest and taxes (EBIT).

It includes:

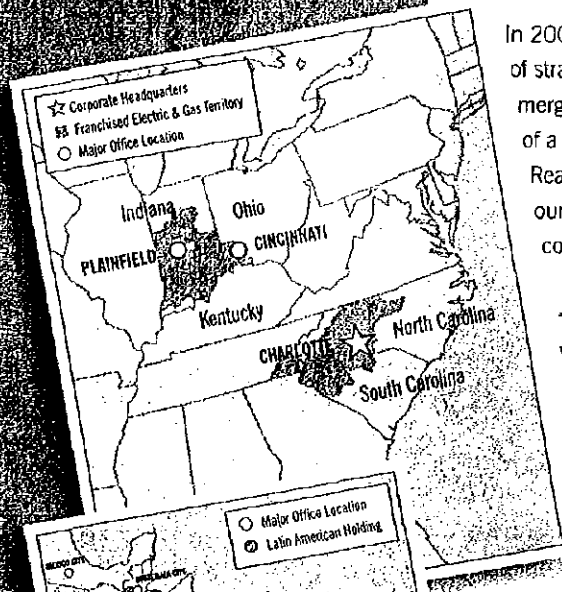
- A \$16 billion retail rate base
- 3.9 million electric customers
- 500,000 gas customers in Ohio and Kentucky
- 47,000 square miles of service territory
- 28,000 megawatts of regulated generation
- 126,000 miles of electric lines.

- **Commercial Power** – which owns and operates unregulated power plants, primarily in the Midwest. Almost all of the results for this business come from sales to retail customers in Ohio under that state's Rate Stabilization Plan. Also in this segment is Duke Energy Generation Services (DEGS),

which develops, owns and operates electric generation sources that serve large energy consumers, municipalities, utilities and industrial facilities. We expect this business unit to generate approximately 7 percent of forecasted 2007 ongoing total segment EBIT. It includes:

- 8,100 megawatts of unregulated generation, most of which is dedicated to regulated customers.
- **Duke Energy International** – which encompasses our international electric generation operations located in Central and South America. We expect this business unit to generate approximately 10 percent of forecasted 2007 ongoing total segment EBIT. It includes:
 - 4,000 megawatts of generation, primarily hydroelectric power, in six countries: Argentina, Brazil, Ecuador, El Salvador, Guatemala and Peru.

- **Crescent Resources** – which is an effective joint venture with Morgan Stanley Real Estate Fund, manages land holdings and develops high-quality commercial, residential and multi-family real estate projects in 10 states, primarily in the southeastern and southwestern United States. We expect this business unit to generate approximately 3 percent of forecasted 2007 ongoing total segment EBIT.



KEY TERMS

Actions – not words – are the true measure of a company's character. But words often help put the actions into perspective. We offer this summary of key terms frequently used in this report. More extensive descriptions can be found on our Web site.

Sustainability

Duke Energy has adopted the Dow Jones Sustainability Index definition to describe our approach to sustainability: "Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments."

Greenhouse Gases and Climate Change

The greenhouse effect is a naturally occurring phenomenon, keeping the earth hospitable to life by trapping heat. Carbon dioxide and many other gases exhibit "greenhouse" properties. Some of them occur naturally while others are exclusively man-made.

Recent research – accepted by a growing majority of scientists and policymakers – indicates that human activity has increased the concentrations of these greenhouse gases and contributed to the rise in global average temperatures. To avoid the worst effects of climate change, greenhouse gas concentrations in the atmosphere need to be stabilized, then reduced.

Integrated Resource Planning

One of Duke Energy's greatest challenges is meeting our customers' energy needs in a

reliable, cost-effective and environmentally responsible manner. The company's energy planning decisions are guided by a comprehensive Integrated Resource Plan (IRP), which is submitted to our state regulators.

The IRP process evaluates all reasonable resource scenarios, including supply-side options (electric generation) and demand-side options (actions to reduce electric demand). In many states, the IRP process considers the environmental costs and effects of electricity supply and transmission decisions. Cost-effective energy efficiency and renewable energy alternatives are also considered in the IRP process.

PROOF OF PROGRESS

When it comes to sustainability, our path forward is clear. Here are several indicators of our progress:

- We are committed to greatly increasing our spending on energy efficiency programs for customers, subject to appropriate regulatory treatment.
- We are installing pollution controls at our generating stations that will cut sulfur dioxide and nitrogen oxides emissions by 70 percent compared to 1997 levels.
- We are implementing new safe workplace policies and programs.
- We are a significant partner in economic development projects throughout our service areas.
- We continue to deliver electric and gas service at prices below the national average.
- We created value for our investors with a total shareholder return in 2006 that exceeded leading industry indicators.

REPRESENTATIVE AFFILIATIONS AND PARTNERSHIPS

- Alliance to Save Energy
- American Association of Blacks in Energy
- American Red Cross
- Business Roundtable
- Business for Social Responsibility
- Catalyst
- Center for Corporate Citizenship at Boston College
- The Conference Board
- Edison Electric Institute
- Electric Power Research Institute
- EPA Natural Gas Star Program
- Global Environmental Management Initiative
- INROADS
- The Keystone Center
- Massachusetts Institute of Technology Joint Program on the Science and Policy of Global Change
- National Action Plan for Energy Efficiency
- National Association of Manufacturers
- National Council of Teachers of Mathematics
- National Minority Supplier Development Council
- The Nature Conservancy
- NatureServe
- Pew Center on Global Climate Change
- ORC Worldwide
- Resources for the Future
- TODOS: Mathematics for All
- United Way
- U.S. Climate Action Partnership
- University of Michigan: Graham Environmental Sustainability Institute

A MESSAGE FROM THE CHAIRMAN



Jim Rowe, Chairman of Duke Energy, is a veteran of 30 years in the energy industry. He is currently Chairman of the Board and President of Duke Energy. Through his career, he has been a strong voice for sustainability.

Welcome to Duke Energy's first sustainability report.

Sustainability is shorthand for our business philosophy; simply put, we believe that responsible actions lead to long-term success. Sustainability is more than good corporate citizenship. It's about pursuing our vision of tomorrow while serving our stakeholders well today. It's also about facing challenges honestly and head-on, without sacrificing profitability.

This sustainability report gives you a closer look at some of the broader issues -- beyond financial performance and business strategy -- that Duke Energy confronts. Here we report on our environmental performance, our safety record, the investments we make in our communities and the values that underlie all of our actions.

LIVING OUR VALUES

Our company's business values are closely linked to performance in all areas. Duke Energy's charter, which precedes this letter, describes our purpose, our objectives, our values and our measures of success. Our Code of Business Ethics, posted on our Web site, guides employees to do the right thing when they contend with tough ethical decisions.

As a company, we face challenging decisions as well:

- How do we meet our customers' growing demand for energy, while reducing our environmental footprint?
- How can we keep our employees and contractors safe?
- How can we attract and retain the right kind of new talent?
- How can we help our communities thrive in a changing economy?

- How can we provide a sustainable return on our shareholders' investments?

THE NEW ENERGY EQUATION

These questions get to the heart of what we call the "new energy equation," which can be solved in part through our focus on sustainability. Achieving the new energy equation will require us to balance the needs of all our stakeholders and challenge conventional wisdom with new thinking and innovation. With that in mind, here's how we're currently addressing each of these complex issues:

Energy and the Environment -- Providing the energy we need while protecting the environment is one of the most critical issues of our time. Duke Energy is committed to developing more efficient electric generation with fewer emissions, including the greenhouse gases that contribute to global warming. We are strong advocates for energy efficiency, as shown by our participation in organizations such as the National Action Plan for Energy Efficiency and the Alliance to Save Energy. I am also a founding member of the U.S. Climate Action Partnership, a coalition of business and environmental leaders who advocate taking swift action on federal legislation that will put mandatory limits on greenhouse gas emissions in all economic sectors.

Safety -- 2006 was a failure for Duke Energy in this very important area. Four people died due to accidents on the job. The only acceptable goal is zero fatalities -- and we have put financial incentives in place for all employees if we reach that goal in 2007. In addition, we have set a goal based on our injury rate, with financial penalties for management if we fall short of that threshold. Employees and contractors will

be safer at work and at home only if we change our mindset and our behavior. We simply must do a better job in this important area.

A Quality Workforce – Employees are the foundation of our company, and they should share in the rewards of our success. The bright, talented people that we hope to attract to Duke Energy expect a company committed to sustainability; they're looking for companies that want to make a real difference in people's lives. Our goal is to have employees of all ages and backgrounds who want to work for an organization that values their contributions, supports their development and helps them find balance in their work and personal lives.

Strong Communities – Helping our communities thrive and grow is important to Duke Energy. We have a long tradition of community support and partnership in the Midwest and Carolinas. Our wide-ranging economic development efforts help create new jobs. Business relations managers throughout our service territory serve as two-way channels of information about community needs and the programs we have in place to meet them. We provide financial support to countless worthwhile causes, and our employees and retirees volunteer in virtually every community we serve.

A Sustainable Return – Our obligation to shareholders means investing their dollars wisely and accepting accountability for achieving our goals. We have reduced much of our company's risk by divesting some of our more volatile businesses, including our trading and marketing operations and much of our wholesale electric generation. Duke Energy's strategy today focuses on our regulated power business, which was greatly expanded in

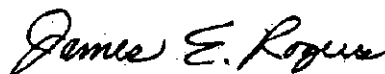
the merger with Cinergy. We are keeping the promises of that merger by achieving economies of scale and sharing those savings with our customers and investors. The company's financial performance, detailed in our Summary Annual Report, is achieved within a broader framework of personal and corporate ethical behavior. We comply with both the letter and the spirit of the laws that govern our operations.

A TEST OF TIME

As a grandfather of seven, I believe there is one sure test of our success: How will our grandchildren view our actions in the future? Years from now, will they know we took the right steps to improve our environment, our communities and our quality of life? Will they believe we made the right ethical decisions, treated our employees fairly and gave customers their money's worth? Or will they wonder why we didn't do more? By anticipating our future generations' answers to those questions, we'll make better decisions that will stand the test of time.

You can find more information about our company's sustainable approach to doing business on our Web site, www.duke-energy.com, where you can also contact us if you have questions or concerns. Thank you for your interest in our ongoing commitment to sustainability.

Sincerely,



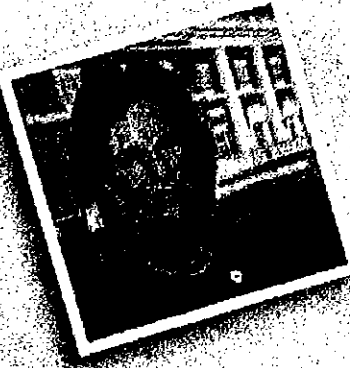
Jim Rogers
Chairman, President and Chief Executive Officer
March 26, 2007

OUR RESPONSIBILITY

A child's hand within an adult's symbolizes the responsibility we have to leave our world a better place. The five fingers also help reinforce the five focus areas of our sustainability plan.



A MESSAGE FROM THE VICE PRESIDENT OF SUSTAINABILITY



Roberta Bowman on the campus of the new Charlotte Research Institute at the University of North Carolina - Charlotte. Duke Energy was the lead contributor to the Institute, supporting our commitment to economic development and training workers for the challenges of a global economy.

Jim Rogers' letter outlines the greatest challenges facing our company. Our response to those challenges helps to make the business case for sustainability: Companies that succeed in the long-term are those that effectively manage environmental, economic and social risks and opportunities.

Sustainability issues dominate the competitive landscape wherever we do business. We depend on natural resources to fuel our power plants. The price of electricity and natural gas affects our customers' competitiveness and our regional economies. And, we are a major employer and partner in the communities we serve. For those reasons, we believe that if Duke Energy doesn't have a sustainability plan, we don't have a business plan.

SETTING OUR PATH FORWARD

My responsibility at Duke Energy is to help translate the concept of sustainability into action. Our approach is characterized by research and analysis, integrating sustainability into our business, focusing on what matters most, and establishing clear accountabilities, goals and measures.

In developing the sustainability plan for Duke Energy, we began with our corporate vision and values, our business strategy, and the sustainability commitments of Cinergy and

Duke Energy prior to their 2006 merger. We also analyzed the feedback from the Dow Jones Sustainability Index – a leading independent benchmark of excellence in sustainability performance. And, we did a lot of listening. We listened to our many external stakeholders. We listened to leaders in sustainability. We listened to our employees. And we listened to our conscience.

SUSTAINABILITY IS A JOURNEY

Sustainability at Duke Energy is a journey, not a destination. Different parts of our company begin this journey at different mile markers. Some areas have been on the path of sustainability for years, while others are just beginning.

For example, we have long recognized that as we increase power plant efficiency, we reduce costs and emissions per kilowatt-hour. That's why improving power plant efficiency has been an objective of ours for many years. But, as a newly merged company, we are just beginning to bring together our environmental performance data and identify opportunities for improvement. In the future, our goals will be more quantifiable.

ADDING VALUE FOR STAKEHOLDERS

Part of our mission is to make sustainability a core competency at Duke Energy – something that is not only "nice to do," but something that

adds real value. We know that the companies that achieve their sustainability objectives are those that align their words with actions and make sustainability part of the company's operations and culture.

WHAT MATTERS MOST

Sustainability is a big word and its scope can be overwhelming. There are few areas of our business that don't touch on sustainability in some way. Duke Energy's approach is to concentrate our efforts where we have the greatest impact and risk. In financial and legal terms, it's called "materiality." We prefer simpler words: what matters most.

FOCUS AREAS

Our five focus areas were initially shaped by our own priorities, and then refined with external stakeholder input:

- Provide innovative products and services for a carbon-constrained, competitive world
- Reduce our environmental footprint
- Attract and retain a diverse, high-quality workforce
- Help build strong communities
- Be profitable and demonstrate strong governance and transparency

As you'll see on the following pages, each focus area is supported by specific goals and objectives that will guide our actions over the next five years.

REPORTING OUR PROGRESS

This first Duke Energy sustainability report sets the baseline for measuring future performance. Consistent with the company's scope, most of the emphasis in this report is on our U.S. operations. Duke Energy's policies and corporate programs, however, also apply to our international business.

We have placed more information on our Web site at www.duke-energy.com/environment/sustainability.asp, and we intend to add new content throughout the year. I hope you will visit the site for more details and let us know what you think.

Our journey to sustainability follows a path forward. As with any journey, we know we'll encounter some twists and turns along the way, and even an occasional roadblock. But, we also expect that this path forward will lead us to important new discoveries – ideas and innovations that we can't even imagine today. We look forward to reporting our progress in the years ahead.

Sincerely,



Roberta Bowman
Vice President, Sustainability
and Community Affairs
March 26, 2007



**Dow Jones
Sustainability Indexes**
Member 2006-07

Duke Energy has been named one of North America's leading companies in a measurement of financial, environmental and social performance. We are a member of the Dow Jones Sustainability Index for North America (DJSI NA), which tracks leading companies for their sustainable approach to business. The DJSI NA list contains 112 companies selected from the largest 600 North American corporations. Duke Energy was the only "multi-utility" named to the list in 2006.

● 2007 sustainability plan

This sustainability plan reflects Duke Energy's commitment to conduct our business in a way that creates long-term benefits for our stakeholders, our environment and our company. It recognizes and addresses the key economic, environmental and social opportunities and risks facing our industry today and in the future. This plan expands on the company's business strategy and values. Unless otherwise noted, our intent is to achieve the goals in this plan by 2012. We expect to refine the goals with more quantifiable measures

in the future. We have listened to and incorporated feedback from our stakeholders into this plan. The plan does not endeavor to cover every sustainability initiative at Duke Energy – and there are many. Instead, we focus on those areas that matter most from a sustainability risk and opportunity perspective. We will report progress against these goals in this annual sustainability report and other public venues.

Area of Focus	Goals
PRODUCTS & SERVICES Provide innovative products and services for a carbon-constrained, competitive world <i>Why it matters:</i> <i>Our customers want products and services that keep them competitive regionally and globally, yet respond to environmental concerns.</i>	<ul style="list-style-type: none"> • Champion energy efficiency as a top industry issue and collaborate with regulators, customers and other key stakeholders to advance innovative policies and programs • Aggressively pursue "smarter grid and meter" technologies that can deliver significant operational and customer benefits • Expand green power options to customers in every state we operate • Keep rates competitive and achieve top quartile customer satisfaction in all markets as measured by national benchmark surveys
ENVIRONMENTAL FOOTPRINT Reduce our environmental footprint <i>Why it matters:</i> <i>As an energy company, we have a large impact on the environment and depend on natural resources for much of our fuel.</i>	<ul style="list-style-type: none"> • Diversify our fuel mix and address the climate change issue by: <ul style="list-style-type: none"> • Promoting U.S. federal policy mandating economy-wide reductions of greenhouse gas emissions • Creating the option to build new nuclear (carbon free) generation • Piloting clean coal and other innovative technologies, e.g., advanced integrated gasification combined cycle technology, geological carbon dioxide sequestration • Securing cost-effective alternative sources of energy • Reducing, avoiding and/or sequestering at least 10 million tons of carbon dioxide equivalents over the next eight years (2007-2014) • Continue to focus on safe, reliable and efficient power plant operations • Model energy efficiency internally • Deliver on our commitment to significantly reduce nitrogen oxides and sulfur dioxide emissions by completing remaining projects to install state-of-the-art emission reduction technologies • Develop the next generation of environmental goals in 2007 – considering air, water, waste and land management – to further reduce our footprint

(Left to right) The Energy Explorium is an interactive center located at McGuire Nuclear Station, which allows visitors to learn about energy.

Belews Creek Steam Station, located on the Dan River near Belews Creek, NC is one of our largest coal-fired generating stations.

Annual wood duck banding on wetlands at East Bend Station near Union, KY tracks migration routes and helps provide valuable biological information.



Area of Focus	Goals
<p>QUALITY WORKFORCE Attract and retain a diverse, high-quality workforce</p> <p><i>Why it matters:</i> Energy companies will be differentiated by the quality, creativity, and customer focus of their employees.</p>	<ul style="list-style-type: none"> • Achieve zero fatalities and top decile safety performance in total incident case rate (TICR) • Develop a culture of wellness by encouraging, supporting and rewarding improved employee health and well-being • Attract, retain and engage a diverse, talented workforce by: <ul style="list-style-type: none"> • Implementing a more effective employee recruitment and development plan • Developing and implementing innovative employee programs and benefits, e.g., alternative work locations • Launching ways to transfer or retain critical knowledge given that approximately 40 percent of the workforce will be eligible to retire in the next five years • Drive understanding of the value of sustainability within the company to inspire ideas and innovation
<p>STRONG COMMUNITIES Help build strong communities</p> <p><i>Why it matters:</i> Our success is linked to the health and prosperity of the communities we serve.</p>	<ul style="list-style-type: none"> • Partner to stimulate economic growth in our communities by attracting 12,500 jobs and \$2.4 billion in capital investment in 2007 • Invest over \$15 million annually in community programs that improve the quality of life in our communities • Implement tools for our communities to use that will support their long-term planning • Develop and implement strategies to address future water issues that will arise from continued population growth in the Carolinas • Increase spending with diverse suppliers by 5 percent a year • Implement initiatives to support public safety in our communities
<p>GOVERNANCE & TRANSPARENCY Be profitable and demonstrate strong governance and transparency</p> <p><i>Why it matters:</i> Creating shareholder value and earning the trust and confidence of our many stakeholders keeps us in business.</p>	<ul style="list-style-type: none"> • Provide investors a superior and sustainable return on their investment • Assure that we have effective ethics and compliance programs • Regularly benchmark our corporate governance practices against best-in-class and industry peers and recommend revisions as appropriate • Assess our supply chain (services and products) from a sustainability perspective and implement appropriate follow-up actions • Communicate clearly and frequently with our stakeholders

PRODUCTS & SERVICES

Provide innovative products and services for a carbon-constrained, competitive world

CHALLENGE

- Develop innovative and economical energy-efficient products and services to help customers remain competitive in an increasingly global and energy-intensive economy

OPPORTUNITIES

- Build the utility of the future through a combination of innovation, new technology, and efficient demand-side management
- Ensure constructive rate treatment for effective approaches that meet customer demand

GOALS

- Champion energy efficiency as a top industry issue
- Collaborate with regulators, customers and other key stakeholders to advance innovative policies and programs
- Pursue "smarter grid and meter" technologies
- Expand green power options for customers
- Keep rates competitive and achieve top quartile customer satisfaction



ENERGY EFFICIENCY— THE FIFTH FUEL

Demand for electricity in the United States is expected to increase by 50 percent by 2030, according to the Department of Energy. In addition to coal, nuclear, natural gas and renewable energy, we believe energy efficiency will become the "fifth fuel" to meet that growing demand.

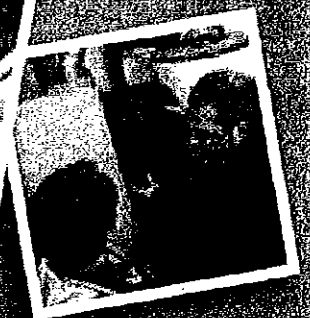
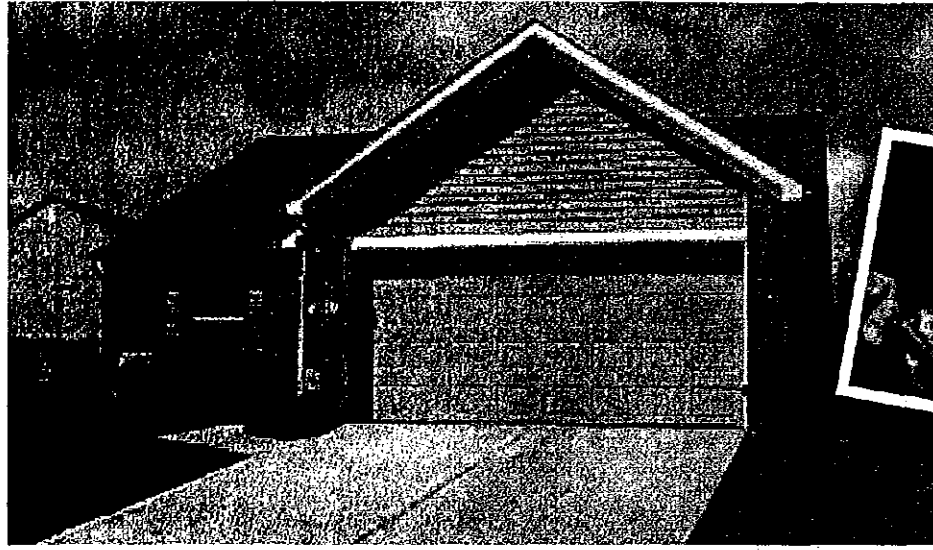
Relying on finite fossil fuels for all of our energy needs is simply not a sustainable solution. With the right combination of technology, regulatory support and customer acceptance, energy efficiency can benefit our customers, our investors and the environment.

OUR COMMITMENT TO ENERGY EFFICIENCY

In October 2006, Duke Energy created a new department that is focused on energy efficiency. The group is charged with:

- Understanding the many factors that affect electricity usage; and
- Creating energy efficiency programs and services that benefit our stakeholders.

We're also working with state utility commissions, other utility companies and legislative staff to design new laws and regulations that place energy efficiency on an equal footing with investments in power plants. This new regulatory treatment would provide us with an



incentive to explore and invest in new efficiency programs and projects, and give our customers universal access to cost-saving energy efficiency measures.

Our efforts have already been successful in one of the states we serve. Energy efficiency programs approved by the Kentucky Public Utility Commission in 2006 have reduced demand by over 12,800 megawatt-hours, or enough power to serve more than 1,000 homes each year. In our rapidly growing Carolinas region, Duke Energy has committed to invest 1 percent of revenues on energy efficiency programs, once appropriate regulatory treatment is in place.

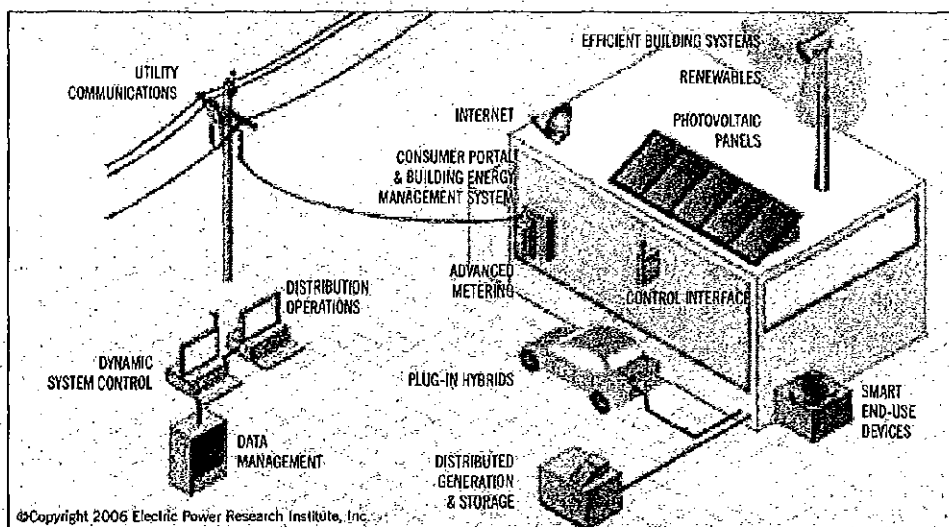
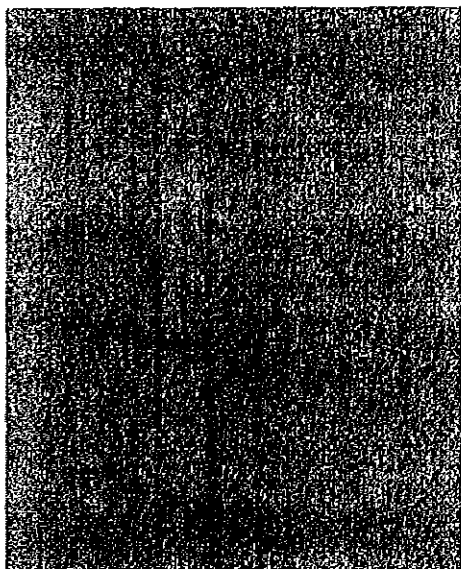
BUILDING A CONSENSUS FOR ENERGY EFFICIENCY

Nationally, Duke Energy is playing a leading role with programs and policies that drive energy efficiency. In 2006, Jim Rogers co-chaired the development of the National Action Plan for Energy Efficiency (NAPEE). Sponsored by the U.S. Environmental Protection Agency and the Department of Energy, NAPEE was the joint effort of 50 gas and electric utilities, utility regulators and other organizations to create a sustainable national commitment to energy efficiency. Visit www.epa.gov/cleanenergy/actionplan/leadership.htm for more information.

We've also taken this national vision to the state level, hosting NAPEE-inspired statewide energy efficiency summits in the states we serve. We conducted collaborative summits in Kentucky and Indiana in 2006 and will hold summits in North Carolina, South Carolina and Ohio in 2007.

ENERGY SAVINGS TIPS

Duke Energy offers a variety of services to help customers reduce their energy bills. From home energy audits to weatherization and home energy audits, we offer a variety of services to help customers save money on their energy bills. Visit www.dukeenergy.com/energytips for more information.



PARTNERING WITH THE EPA

The Environmental Protection Agency (EPA) partnered with Duke Energy to complete a complex metering and control system at the agency's Research Triangle Park facility in North Carolina. The agency tried several vendors and technologies, but Duke Energy was the only one to design and deliver a viable solution. The EPA can now monitor energy usage and billing for electricity, natural gas, fuel oil and water at its various buildings on the site, resulting in lower costs and improved understanding of usage patterns.

THE UTILITY OF THE FUTURE

One of the most exciting developments in electricity distribution and use is bundled in what we call the "Utility of the Future." Just as automobiles and manufacturing have been transformed by the digital revolution, we are beginning to apply advanced technology to our electric system.

The graphic above illustrates what the new "digital grid" might look like and how it will serve our customers and communities.

Harnessing New Technology

New technologies will drive fundamental changes in the way electricity is generated, priced and used. Customers want to manage their energy use more closely, and "smart meters" will provide real-time price information. These advanced meters will also tell us when, where and how much power our customers

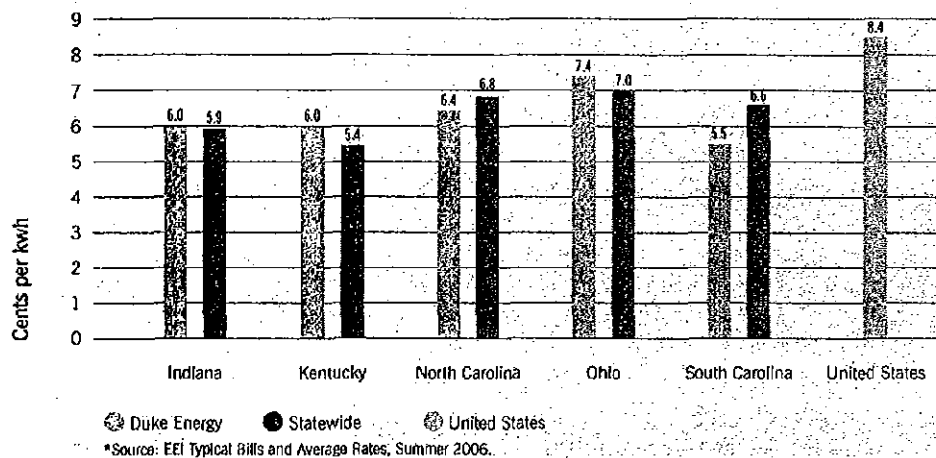
use, helping us better tailor our operations and planning to customer demand. We are piloting smart meters in 2007 and expect to have them in nearly all customers' homes and businesses in five to seven years.

Increased Reliability, Decreased Cost

Utility of the Future concepts will make us a more efficient company in many ways. All the various components of the energy delivery system will be linked through real-time communications. State-of-the-art technology will help us pinpoint outages and make repairs more quickly. The ultimate goal is to provide greater reliability – with less environmental impact – at a lower cost to our customers.

Visit the residential or business customer portions of our Web site for more information on energy savings and management.

Comparison of Average Electric Rates*



CUSTOMER SATISFACTION

What drives customer satisfaction in our business? Our customers tell us it's two things: the cost of our product and the reliability of our service.

Duke Energy's electric rates, on a cents per kilowatt-hour basis, continue to be competitive in our five-state service area. Nationally, as indicated on the chart above, our rates are more than 20 percent below the national average.

Our customer satisfaction results in 2006 were mixed. In surveys of several thousand customers, 82 percent rated their overall satisfaction with Duke Energy as an 8, 9 or 10 on a scale of 1 to 10, exceeding our goal of 76 percent.

There are also several external measures of customer satisfaction, including J.D. Power and Associates' 2006 Electric Utility Residential Customer Satisfaction Study. In that survey, Duke Energy achieved top-quartile performance in the Carolinas and third quartile in the Midwest.

We were not successful in achieving our 2006 reliability goals. Our average service interruption duration and frequency levels were:

2006 Results	Actual	Goal
Average time without power* per customer	164 min.	138 min.
Average number of outages* per customer	1.3	1.2

* Longer than five minutes

Improving reliability performance is a key objective in 2007.

SHEDDING LIGHT ON ENERGY SAVINGS

Duke Energy partnered with Alexandria and Ludlow, Kentucky mayors and local retailers to help customers save money by purchasing ENERGY STAR® compact fluorescent light bulbs (CFLs). Through a special discount offer, customers were able to buy bulbs that normally cost \$5 for as little as 99 cents. Customers will save on energy bills, too: CFLs use up to 75 percent less energy than standard incandescent bulbs.



ENVIRONMENTAL FOOTPRINT

Reduce our environmental footprint

CHALLENGES

- Ensure reliable and cost-effective energy supplies for customers while minimizing our impact on the environment
- Help address and meet the challenge of reducing greenhouse gases

OPPORTUNITY

- Share our expertise, ideas and leadership to demonstrate that the new energy equation can be solved through multiple supply and demand options

GOALS

- Promote U.S. federal policy mandating economy-wide reductions of greenhouse gas emissions
- Create the option to build new nuclear (carbon free) generation
- Pilot clean coal and other innovative technologies
- Secure cost-effective alternative sources of energy
- Reduce, avoid and/or sequester at least 10 million tons of carbon dioxide (CO₂) equivalents over the next eight years (2007-2014)
- Continue to focus on safe, reliable and efficient power plant operations
- Model energy efficiency internally
- Deliver on our commitment to reduce nitrogen oxides and sulfur dioxide emissions
- Develop next generation environmental goals in 2007 to further reduce our footprint

OUR IMPACTS ON THE ENVIRONMENT

Like any business, our operations leave an environmental footprint. We use natural resources such as coal, uranium, natural gas, oil and water to generate electricity for our customers. We also use tens of thousands

of gallons of gasoline and diesel fuel for our service trucks and cars. We create waste streams in the process of generating electricity. And, our transmission and distribution systems are made of wood, steel and aluminum. Given our company's reliance on these materials, it is essential that we use natural resources as efficiently as possible.

Duke Energy has developed a comprehensive environmental, health and safety policy and management system to guide our actions. As a result, we:

- Establish processes to ensure compliance with environmental laws and regulations
- Set goals and measure performance
- Engage with stakeholders to advance mutual environmental objectives
- Proactively manage public policy issues such as climate change
- Emphasize environmental stewardship.

REDUCING AIR EMISSIONS

Emissions of sulfur dioxide (SO₂), nitrogen oxides (NOx) and mercury from coal-fired power plants continue to be a major focus area for lawmakers, regulators and the public.

Duke Energy has taken, and continues to take, aggressive action to reduce its emissions:

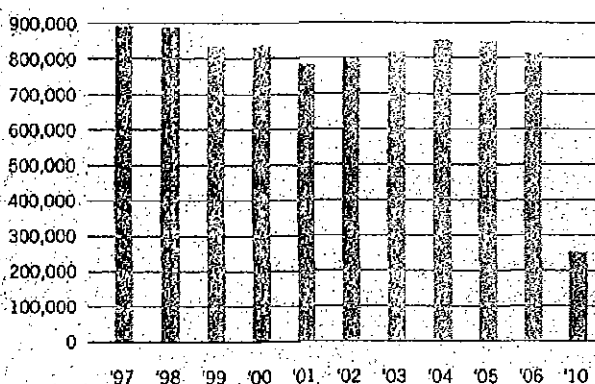
- Between 1998 and 2011, we are investing nearly \$5 billion in controls to reduce our SO₂, NOx and mercury emissions.
- By 2010, we project that both our SO₂ and NOx emissions will be about 70 percent lower than they were in 1997.
- The technologies we're installing to reduce SO₂ and NOx also significantly reduce mercury emissions. Our current estimate places mercury removal at between 70 and 80 percent. We will report further on the effectiveness of these controls to reduce mercury emissions when we have more data.

Engineered wetland to treat wastewater at Marshall Steam Station, near Terrell, NC.

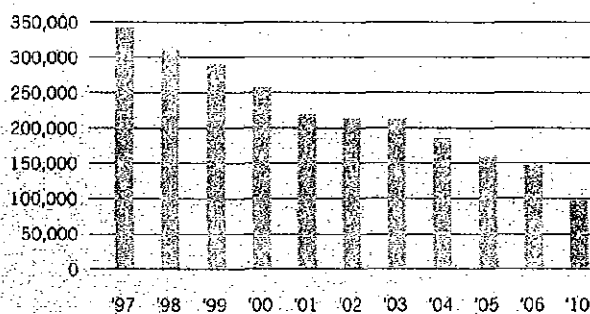
ENVIRONMENTAL PERFORMANCE

We continue to install pollution control equipment on our electric generating plants. NOx emissions have declined sharply as shown below, and SO₂ is expected to show a similar decline as more "scrubbers" come into service. 2010 data is projected.

Sulfur Dioxide Emissions (Tons)



Nitrogen Oxides Emissions (Tons)



SO₂ and NOx reported from electric generation only, and based on ownership share of stations. Combustion turbines not equipped with continuous emission monitors and facilities operated but not owned by Duke Energy Generation Services are not included.

Sulfur Dioxide Emissions (Tons)*	
2005	844,500
2006	812,600
Nitrogen Oxides Emissions (Tons)*	
2005 *	160,400
2006	148,600

* SO₂ and NOx reported from electric generation only, and based on ownership share of stations. Combustion turbines not equipped with continuous emission monitors and facilities operated but not owned by Duke Energy Generation Services are not included.

Coal Consumption (Tons)	
2006	46,500,000

2006 Coal Combustion Byproducts (Tons)	
Beneficial Reuse	2,870,000
Land Disposal or Pond Stored	1,990,000
Flue Gas Desulfurization (FGD)*	670,000

* FGD material is primarily a mixture of lime, fly ash and calcium sulfite created by the SO₂ scrubber process.

2005 Toxic Release Inventory* (Pounds)	
Releases to Air	80,172,829
Releases to Water	247,542
Releases to Land	15,234,393
Off-Site Transfers	77,123
Total	95,731,887

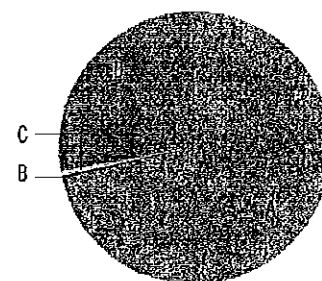
* 2006 data will not be available before July 2007. Data pertains to Duke Energy ownership share of facilities.

2006 Regulatory Citations*	
13 Citations with \$12,713 paid in fines/penalties	

* Includes Notices of Violation and similar infractions of permits or licenses at facilities operated by Duke Energy.

2006 Oil Spills (Gallons)	
75 Spills	3,251

**2006 NET MEGAWATT-HOUR GENERATION
PERCENTAGES BY FUEL***



Coal	104,929,426	70.7%
Natural Gas/Oil	2,578,213	1.7%
Hydro	867,996	0.6%
Nuclear	40,422,697	27.0%

* Data based on Duke Energy's ownership share of all facilities.

Approximately 70 percent of the electricity Duke Energy produces for customers comes from coal, so CO₂ releases are unavoidable. By using nuclear energy instead of coal for a portion of our generation, Duke Energy has avoided the release of approximately 1.1 billion tons of CO₂ since the three nuclear stations entered service.

Carbon Dioxide Emissions (Tons)*	
2005	107,400,000
2006	105,400,000

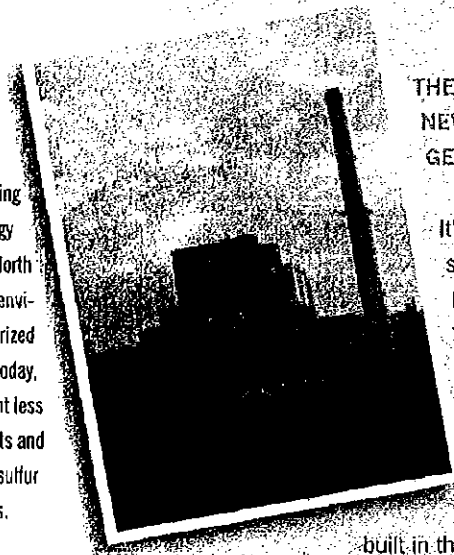
* Emissions are for U.S. and Latin American electric generation facilities.

More information on our air emissions is available at www.duke-energy.com/environment/air-quality.asp.

ENVIRONMENTAL FOOTPRINT

CLIFFSIDE STATION

Duke Energy proposed building two new 800-megawatt power plants using supercritical coal technology at our Cliffside Station in North Carolina. This is the most environmentally efficient pulverized coal technology available today, typically burning 10 percent less coal than conventional units and emitting significantly less sulfur dioxide and nitrogen oxides.



In March 2007, we received the formal Order from the North Carolina Utilities Commission, which authorized building one of the two units. The Commission also accepted our commitment to invest 1 percent of our revenues in the Carolinas for energy efficiency, subject to appropriate regulatory treatment, and our plan to retire older, less efficient units.

Cliffside's cost estimates were based on two units, and we still need an air permit for this project. We are studying the economics to determine whether we should proceed with the Cliffside project or consider other alternatives, including natural gas-fired plants. We won't make a decision until we have a clearer understanding of the overall costs, as well as the conditions of the air permit.

THE NEED FOR NEW BASE LOAD GENERATION

It's been many years since Duke Energy has had to build a new "base load" power plant – that is, a plant that operates continuously.

In fact, the last base load station built in the Midwest was the Zimmer Station in 1991. In the Carolinas, it has been over two decades since the Catawba Nuclear Station entered service in 1986.

We've been able to meet rising demand for electricity without building new base load power plants by:

- Making our existing stations more efficient at producing power, despite adding pollution control equipment that requires more electricity
- Working closely with large customers to reduce their electric consumption during times of high demand

- Implementing a variety of demand-side measures for large and small customers
- Adding combustion turbines to provide peak power when needed during hot summer days or cold winter mornings
- Buying power from other generators when cost and reliability conditions are favorable.

While these measures have delayed the need for new generation, they cannot offset entirely the rising demand for electricity. Regulated utilities are required by law to meet the energy needs of their customers. "Running out of power" simply is not an option. In the fast-growing Carolinas, 40,000 to 60,000 customers join our system each year. Our service areas in Indiana, Kentucky and Ohio are adding 11,000 to 16,000 customers a year.

Forecasts indicate that our customers in the Carolinas will need an additional 2,120 megawatts by 2011, increasing to an additional 6,120 megawatts by 2021. For perspective, Duke Energy Carolinas' generating capacity is currently about 20,000 megawatts.

New Resource Requirements* (Megawatts)				
Year	Indiana	Carolinas	Kentucky	Ohio
2011	275	2,120	No new generation is planned at this time	Plans are being reviewed
2016	612	4,180		
2021	797	6,120		

* Figures represent cumulative totals to maintain a 15% reserve margin (Indiana) or 17% reserve margin (Carolinas) that may come from purchases, company-owned assets, and/or additional demand-side management.



LEVERAGING ALL FIVE FUELS

Even with the aggressive actions our company and customers have taken, we will need all five fuels – coal, nuclear, natural gas, renewables and energy efficiency – to meet customer needs. As an outcome of the Integrated Resource Planning process, we are considering several options, each with its own implications for the company's environmental footprint:

- Constructing a nuclear power plant in South Carolina
- Constructing a modern, state-of-the-art pulverized coal-fired plant at our Cliffside Station in North Carolina
- Constructing an integrated gasification combined cycle (IGCC) plant that transforms coal into a synthetic gas to produce electricity at our Edwardsport Station in Indiana
- Building or buying additional natural gas-fired plants
- Designing additional energy efficiency and conservation measures
- Pursuing renewable (wind, solar or biomass) power plant technologies where feasible.



(Above) Gibson Station, near Mt. Carmel, IL, shows steam from its SO₂ scrubbers. The cooling pond is in the middle ground and the Cane Ridge Wildlife Area is in the foreground. The two islands provide nesting habitat for the federal endangered Interior Least Tern.

(Left) Cayuga Station, near Cayuga, IN hosts Eagle Viewing Days one weekend each year. This event draws up to 2,000 visitors for an opportunity to see this American icon in its natural setting.

ENVIRONMENTAL STEWARDSHIP

Every action counts in reducing our environmental footprint; no effort is too small. In addition to improving local habitats, many of our environmental stewardship projects provide our customers and communities with opportunities to experience nature. Here are just two examples:

- **Cane Ridge Wildlife Area** – Over 450 acres adjacent to the Gibson Station cooling pond were converted into an exceptional wildlife habitat, becoming one of the most successful conservation efforts in the Midwest.
- **Nature Trails, Butterfly Gardens and Wildlife Food Plots** – With the help of area garden clubs, civic groups, Boy Scouts and Girl Scouts, all three nuclear stations in the Carolinas – and several other Duke Energy facilities – host natural areas to support local wildlife.

More information is available at www.duke-energy.com/environment.

WIND POWER
In September 2006, Duke Energy Indiana entered into a 20-year power



purchase agreement with Benton County Wind Farm LLC to purchase the electricity produced by a 100 megawatt wind power facility to be constructed in Benton County, Indiana. This project will add a clean, renewable energy source to Duke Energy's portfolio, help boost the local economy and encourage innovative ways to generate power within the state. This agreement paves the way for the first significant wind power project and long-term purchase of wind power in Indiana.

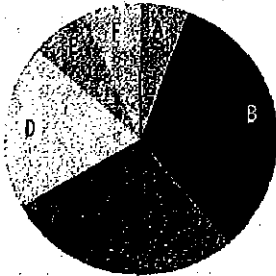


HYBRID BUCKET TRUCKS

Duke Energy is among the first utilities in the nation to test diesel-electric service trucks. Three hybrid trucks are being tested for fuel economy and emissions-reduction benefits. Independent tests show the hybrid trucks may provide 40 to 60 percent fuel savings and reduced air emissions because the vehicles can operate the buckets in electric-only mode.

ENVIRONMENTAL FOOTPRINT

2004 U.S. GREENHOUSE GAS EMISSIONS
By sector (Million Metric Tons CO₂ Equivalent)*



Residential	391.1	6%
Electricity Generation	2,337.8	32%
Transportation	1,955.1	28%
Industry	1,377.3	20%
Agriculture	491.3	7%
Commercial	459.9	7%

* Source: U.S. EPA, Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2004, April 15, 2006.

Greenhouse gas emissions come from many sources. This chart shows that the largest contributors to total U.S. emissions are the electric generation, transportation and industrial sectors.

CLIMATE CHANGE AND DUKE ENERGY'S CALL TO ACTION

As the third largest consumer of coal in the U.S., Duke Energy is taking a leadership role in addressing global climate change.

OUR THREE-PRONGED APPROACH

Our approach to greenhouse gases and climate change has three components:

- Promoting mandatory greenhouse gas reduction regulations
- Voluntarily reducing our greenhouse gas emissions
- Advancing technological innovations

Policy Leadership – Duke Energy supports passage of federal legislation mandating economy-wide regulation of greenhouse gas emissions. We believe Congress should act now to establish a market-based program that would cap greenhouse gases emitted from all U.S. sources, including power generation, industrial and commercial sources and the transportation sector. Climate change is a global issue; therefore, it would be counterproductive for each state in our country to pass its own legislation with different requirements and incentives.

A national cap-and-trade program is our preferred approach. This type of program would set a price for greenhouse gases, thereby estab-

lishing necessary price signals for the marketplace. Prices would also provide clear financial incentives to more aggressively develop technologies to reduce greenhouse gases. To permit the economy to adjust to the changes ahead, legislation should first focus on slowing the growth of greenhouse gas emissions and later transition to a declining national cap.

Congress should adopt economy-wide climate change legislation as soon as possible based on the proven cap and trade approach used in the Clean Air Act Amendments of 1990 and more recent regulatory programs. This will provide the necessary regulatory framework our nation needs to ensure utilities like Duke Energy can make the best long-term decisions on behalf of our customers and the environment.

Voluntary CO₂ Reduction – Duke Energy believes it is important to continue reducing greenhouse gas emissions even before these emissions are regulated. Our goal is to reduce, avoid and/or sequester 10 million tons of CO₂ equivalent emissions by 2014. We will be investing \$3 million per year on various types of greenhouse gas reduction projects to achieve this goal. In the past, we have invested in wind and solar power demonstrations, reforestation, power plant improvements and lighting upgrades, among other projects.

We are convinced that voluntary actions are not enough – a mandatory policy is needed to address climate change in a fair and economically sound manner. More information about our commitment is at www.duke-energy.com/environment/climate-change.asp.

Technological Innovation – New technology will play an important role in achieving the country's climate change objectives. We are supporting research and development on both supply-side and demand-side options. We have plans to build state-of-the-art coal and nuclear plants, and have been awarded significant federal investment tax credits for our Edwardsport Integrated Coal Gasification project and our Cliffside supercritical pulverized coal project.

In addition, Duke Energy is involved in three of the seven Department of Energy regional carbon sequestration partnerships. Our East Bend Generating Station in Kentucky was chosen as a Phase II geologic sequestration project for the Midwest Regional Carbon Sequestration Partnership. The purpose of the project is to investigate the safety and effectiveness of carbon sequestration.

Because geologic sequestration is not feasible in many parts of the U.S., we are working

with other companies and the Electric Power Research Institute (EPRI) to evaluate the use of chilled ammonia to permanently capture and remove CO₂ from flue gas. The goal is to continue using coal as a secure and affordable fuel for electric generation while reducing CO₂ emissions.

Duke Energy is also partnering with Southern Company on a potential new nuclear station in Cherokee County, SC. Additionally, we are actively involved in the NuStart Energy consortium, which will develop first-of-a-kind engineering for new nuclear reactors.

SUPPORT FOR RESEARCH AND DEVELOPMENT

Much of Duke Energy's research is done collaboratively. In 2006, we invested approximately \$12.5 million in research on power generation, power delivery and environmental sciences. The largest portion of our research budget – approximately \$10 million – went to EPRI. Founded in 1973, EPRI is an independent, nonprofit center for public interest energy and environmental research; its members represent over 90 percent of the electricity generated in the U.S. For every dollar we invest in EPRI, Duke Energy receives about \$30 worth of collaborative research and knowledge.

CLIMATE CHANGE POLICY PARTNERSHIP

As a founding corporate sponsor, Duke Energy pledged \$2.5 million to support climate change policy research at Duke University. The Climate Change Policy Partnership (CCPP), formed in August 2005, includes corporate partners, the Nicholas School of the Environment and Earth Sciences, the Nicholas Institute for Environmental Policy Solutions and The Center on Global Change. More information is at www.nicholas.duke.edu/institute/ccpp/.



QUALITY WORKFORCE

Attract and retain a diverse, high-quality workforce

CHALLENGES

- Improve employee and contractor safety
- Compete with other companies and industries for the best talent

OPPORTUNITIES

- Become the leader in safe work practices
- Maintain our reputation as a preferred employer and attract top talent by providing high-quality training, competitive benefits and a safe, satisfying work environment

GOALS

- Achieve zero fatalities and top decile safety performance in total incident case rate (TICR)
- Develop a culture of wellness by encouraging, supporting and rewarding improved employee health and well-being
- Drive understanding of the value of sustainability within the company to inspire ideas and innovation
- Attract, retain and engage a diverse, talented workforce by:
 - Implementing a more effective employee recruitment and development plan
 - Developing and implementing innovative employee programs and benefits
 - Launching ways to transfer or retain critical knowledge

TELL ME

Duke Energy's "Tell Me" program encourages employees to protect each other by identifying risky behavior and immediately stopping those actions. The concept is simple: By wearing the "Tell Me" badge, employees invite others to tell them when they may be performing an unsafe act.



2006 SAFETY REVIEW

Last year was tragic for Duke Energy in one important respect: One employee and three contractors died due to accidents on the job. Of these, two were in U.S. Franchised Electric and Gas' Power Delivery operations; one was at a construction project at Belews Creek Steam Station, and one was at Duke Energy Gas Transmission (now Spectra Energy). Our thoughts continue to be with the families affected by these tragedies.

All major accidents at Duke Energy are rigorously reviewed to understand the root cause and to prevent accidents in the future. Information about the accident and preventative actions are promptly shared within the company (including with the company's board of directors) and, where appropriate, with contractors and other industry partners.

IMPROVING SAFETY

Improving employee and contractor safety is a top priority for our company. Because safety is an objective we share with other companies and industries, Duke Energy hosted a National Safety Summit in Washington, DC in October 2006.

Approximately 80 participants from business, labor and government came to the summit to share data, lessons learned and best practices in contractor safety. In 2007, we are continuing to promote improved contractor safety by maintaining the momentum from the National Safety Summit and convening action within the trade association for investor-owned electric utilities, the Edison Electric Institute.

EMPLOYEE SAFETY DATA

- Based on Occupational Safety and Health Administration criteria, in 2006, we had 302 employee incidents during approximately 40.2 million work hours, a 7 percent decrease from 2005.
- We met our 2006 total incident case rate (TICR) target of 1.50 and achieved a total lost workday case rate of 0.35. Our 2007 target is a 5 percent improvement in the TICR, to 1.43.

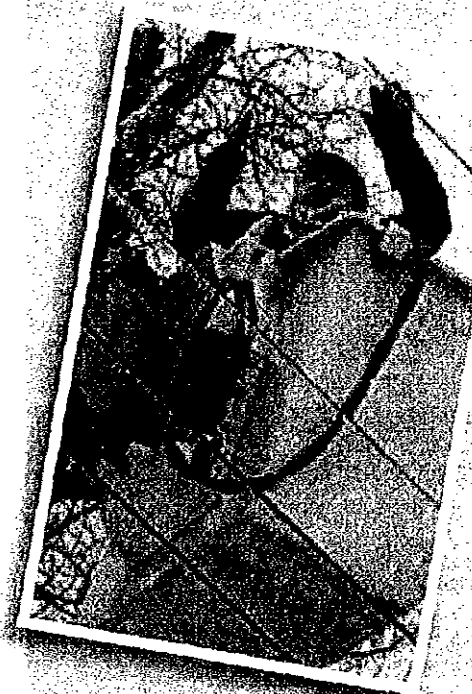
- Our natural gas operating unit in Ohio and Kentucky achieved strong improvement in safety performance in 2006, with half the number of personal injuries compared to 2005 and the lowest TICR in 10 years.

NEW SAFETY INCENTIVE

To reinforce the role every employee plays in safety, all employees will receive a 5 percent increase in their short-term incentive payments if Duke Energy has no employee, contractor or sub-contractor fatalities in 2007. This provides an added incentive for vigilance and communication about unsafe working conditions. Additionally, management employees under the long-term incentive plan will lose 5 percent of their bonuses if certain TICR goals are not met.

EHS STEERING TEAM

In 2006, we established an Environmental, Health and Safety Steering Team to reinforce our safety and environmental goals. Comprised of officers representing generating stations, natural gas operations, fleet services, purchasing, legal, human resources and engineering services, the steering team meets regularly to share information about compliance issues and best safety practices. The steering team also ensures consistent policy direction across the company.



Chris Ayers, Line Specialist, works to restore power in Bloomington, IN after an early 2007 ice storm.

QUALITY WORKFORCE

DIVERSITY AND INCLUSION

An inclusive workplace is one where employee differences are valued, where people are trusted to make good decisions and where they are able to connect with others across the company to achieve superior business results. Duke Energy has a number of initiatives to support an inclusive culture. These include regular "Open Forums" with company leaders, extensive training offerings, work/life balance programs and employee resource groups such as the Business Women's Network and Minority Professional Association.

A Diversity Council, comprised of a cross section of company representatives, provides oversight and direction for the company's diversity and inclusion initiatives. Diversity recruitment is aimed at particular segments of

the population, such as women and people of color, in areas such as finance, accounting and engineering.

Workforce Diversity Statistics	
Regular full-time employees as of Jan. 31, 2007	17,910
Females as percent of workforce	21.7%
Females as percent of management	17.5%
Ethnic Diversity	
• Caucasian	81.9%
• African American	10.6%
• Hispanic	0.9%
• Asian/Pacific Islander	0.8%
• American Indian/Alaskan Native	0.3%
• Not Identified*	5.5%
Members of a collective bargaining unit	25.8%

* Duke Energy International employees for whom gender and race data are not captured.

TALENT DEVELOPMENT AND KNOWLEDGE TRANSFER

A particular challenge for Duke Energy, like many electric utilities, is that approximately 40 percent of our employees will be eligible to retire within the next five years. To address knowledge transfer and retention, Jim Rogers has charged the top 50 leaders of

Duke Energy with developing workforce plans that he will present to the board of directors in August.

To develop the skills of our team, we conducted more than 2,400 training and professional

development courses in 2006. In addition, job-rotation programs, apprenticeships, development planning and training in leadership, management and technical areas were held. We also introduced Skillsoft E-learning, a new suite of more than 2,700 computer-based training courses in information technology, business skills and other subject areas. Available via the Internet, Skillsoft provides employees access to training at any time, from any location.

WORK/LIFE BALANCE

We recognize that our employees must balance work, home and community priorities and we offer a number of programs to help. Examples include:

(Top to bottom) Rhonda Toddle, Customer Billing Information System Agent, processes service requests at the Customer Contact Center in Charlotte, NC.

Joseph Garcia, Senior Lineman A, in full personal protective equipment, works out of our Toddler district office near Monroe, OH.

Kay Pashos, Vice President of Regulatory Strategy is a key member of our Franchised Electric and Gas operating unit.

Wellness – Employee wellness programs include: education, medical screenings, risk assessment and behavior modification (if desired). We are also exploring new offerings such as smoking cessation and nutritional counseling. In 2007, Duke Energy will become an entirely smoke-free workplace.

Compensation and Benefits – To compete for the most talented employees, we have compensation and benefits packages that include competitive pay, vacation, a 401(k) retirement savings plan with company match and a retirement cash-balance pension plan.

We also support the volunteer and educational interests of our employees. For example, our Excellence in Education and Communities program gives all full-time employees 10 hours of paid time off each year for activities at schools or to volunteer in their communities.

Duke Energy goes well beyond legal requirements to support employees who serve in the armed forces. All non-unionized, eligible employees on approved military leave of absence are eligible to receive 100 percent of their base pay for up to 52 weeks on a continuous or intermittent basis and 75 percent of base pay for up to an additional 104 weeks.

Employee Opinion Survey – Since 1990, Duke Energy has systematically measured employee opinions about the company. The 2006 survey, conducted after the merger, sampled approxi-

mately 40 percent of employees. Here are headlines from the results:

- Most employees expressed a high degree of job satisfaction and saw Duke Energy as a performance-based culture.
- Employees valued diversity to a greater degree than in the past and at a level that continued to exceed national norms.
- Employees' perception of management ethics showed steady improvement.
- But, employees expressed confusion and frustration over merger integration issues and a series of workforce reductions.

Results from the Employee Opinion Survey are shared broadly within the company. For example, two of the 2007 Charter Imperatives respond to employee feedback:

- Establish the identity and culture of the new Duke Energy, unifying our people, values, strategy, processes and systems.
- Optimize our operations by focusing on safety, simplicity, accountability, inclusion, customer satisfaction, cost management and employee development.



TOP TO BOTTOM

(Left to right) Marcelo Flores, David Morgan, Bobby Morrison, Reggie Little, Distribution Line Technicians, with the diesel/electric hybrid service truck now being tested at our Matthews, NC operations center.

Sirlene Flores, Customer Service Specialist, uses her bilingual skills to assist customers.

Joe Miller, General Manager of Zimmer Station, near Moscow, OH.

STRONG COMMUNITIES

Help build strong communities

CHALLENGE

Help keep our service regions competitive with other locations so that they can attract and retain the people, services, and job opportunities that make a community vibrant.

OPPORTUNITY

Duke Energy's customer and community programs can help differentiate the regions we serve.

GOALS

- Partner to stimulate economic growth in our communities by attracting 12,500 jobs and \$2.4 billion in capital investment in 2007
- Invest over \$15 million annually in community programs that improve the quality of life in our communities
- Implement tools for our communities that will support their long-term planning
- Develop and implement strategies to address future water issues that will arise from continued population growth in the Carolinas
- Increase spending with diverse suppliers by 5 percent a year
- Implement initiatives to support public safety in our communities

2006 ECONOMIC DEVELOPMENT

Duke Energy was a key contributor to the economic growth of its service territories in 2006. The three economic development regions – the Carolinas, Indiana and Greater Cincinnati – were instrumental in attracting new industry, helping existing customers expand and working with local communities to promote a favorable business environment.

Our team of experienced business and economic developers had an extraordinary year and helped create more than 17,000 new jobs and attract \$5.1 billion in new capital investment across our service areas.

Citigroup, GSI Commerce Solutions, Pfizer, Poly-America and Fidelity are among the companies that chose Duke Energy-served sites for their expansion and relocation needs. Driven by efforts from our economic development staff and state and local economic development professionals, we continued to diversify our economy by attracting high-wage and technology-intensive businesses.

SUPPLIER DIVERSITY

Duke Energy's commitment to diversity extends beyond its employees to include suppliers, community organizations and our customers. We have a focused effort to identify and support businesses owned by women, minorities and veterans. Our philosophy is that with a more diverse supplier base, we have stronger competition, which benefits our company and our communities.

2006 Diversity Expenditure* (in millions)		
2005	2006	Increase over 2005
\$132.1	\$143.2	8.4%
* "Diversity" means women-, minority-, and veteran-owned businesses.		

ENERGY ASSISTANCE

Duke Energy offers a number of initiatives to assist low-income customers, including programs that help customers reduce costs by improving energy efficiency, as well as programs and policies supporting energy assistance.

In 2006, over \$10 million was contributed by Duke Energy, its customers, and the Duke Energy Foundation to energy assistance programs in the communities we serve. We partner with social service agencies to administer the programs in order to make energy assistance part of an integrated response to customers in need. In some cases, our customers and our Foundation also contribute funds for energy assistance.

The programs for energy assistance go by different names in the regions we serve:

- North and South Carolina: Share the Warmth, Fan Relief and Cooling Assistance
- Ohio: HeatShare
- Kentucky: WinterCare
- Indiana: Helping Hand

CONTRIBUTING TO OUR COMMUNITIES

In addition to providing safe and reliable energy and serving as a major employer, Duke Energy also contributes to its communities with charitable grants and volunteerism.

In 2006, charitable contributions totaled over \$19 million. Adding in other company contributions, in-kind donations, employee and retiree volunteer time and their contributions through

company programs and campaigns, Duke Energy – and its people – contributed close to \$29 million in 2006.

PUBLIC SAFETY

Duke Energy has a number of programs to educate the public about electric and gas safety. In 2006, we organized, updated and expanded our public safety information on a number of topics, including:

- Call Before You Dig
- Report a Power Outage
- Report a Gas Leak
- Right of Way Management
- Electric Safety
- Gas Safety
- Nuclear Emergency Preparedness
- Contractors & First Responders Safety
- Kids Safety
- Identifying a Duke Energy Employee

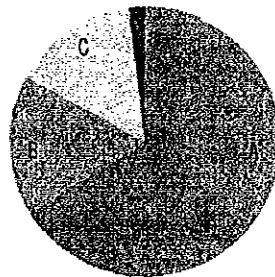
To learn more about any of these topics, please visit our Web site at: www.duke-energy.com/safety/.

Duke Energy concentrates its electric and natural gas safety messages on four main audience groups: contractors, emergency first responders, school children and customers. We offer English and Spanish language booklets, videos, decals, trainers' guides and other materials upon request.

We also continued radio, television and newspaper safety messages, bill inserts and natural gas and electric safety demonstrations in our service areas.

2006 CONSOLIDATED GIVING

Each year, we aggregate all of the contributions made by Duke Energy, including Foundation and other cash contributions; in-kind gifts and services; and the contributions and volunteerism of our employees and retirees. In 2006, Duke Energy giving totaled close to \$29 million.



① Foundation Charitable Donations	65%
② Employee/Retiree Volunteer Time	16%
③ Employee/Retiree Giving	15%
④ Cash & In-Kind Goods/Services	4%

In addition, Duke Energy Carolinas continues to share its Bulk Power Marketing (BPM) profits through programs with industrial customers, the economic development community and public assistance agencies in the Carolinas. Charitable contributions from BPM profits to non-profit organizations in 2006 totaled over \$6.4 million. These grants benefitted energy assistance programs, the North Carolina Community College Grant Program and AdvanceSC for education in South Carolina.

STRONG COMMUNITIES



UNITED WAY SUMMIT AWARD
United Way of America honored Duke Energy in 2006 with its Summit Award, recognizing the company's commitment to improving local communities.



(Left to right) Vincent Davis, Director of Customer Operations, helps build a handicapped-accessible ramp and deck in Cincinnati, OH.

Eileen Olofson and Stephanie Liles, Office and Communications Services, help at a local food bank.

Joe Needham, Senior Applications Systems Analyst, installs a new computer system at a youth camp near Indianapolis, IN.

DUKE ENERGY FOUNDATION

The Duke Energy Foundation concentrates its grants in three areas:

- **Environment and Energy Efficiency** – Grants for conservation, training, research and energy efficiency services.
 - People Working Cooperatively is a non-profit organization in the Greater Cincinnati area that provides critical home repairs and energy conservation services to low-income and elderly residents. In addition to Foundation funding, Duke Energy employees volunteer their time and energy to repair homes in the community.
- **Economic Development** – Funding for skills development; pre-K-12 education focused on math, science and technology; higher education; government or other non-profit programs supporting innovative solutions for business, industry and workforce challenges.
 - The Duke Energy Foundation provided the lead gift to create the Charlotte Research Institute (CRI) at the University of North Carolina – Charlotte. CRI offers advanced engineering and technical training to help transform our regional economy.
- **Community Vitality** – Contributions supporting health and human services through United Way; arts and culture; energy assistance; public safety; and community leadership development.
 - In 2006, Duke Energy employees, retirees and The Duke Energy Foundation pledged over \$4.5 million to the United Way

chapters in the communities we serve. We also partner with the American Red Cross to provide storm preparedness kits and disaster assistance.

We recognize that every community is unique, with different challenges and strengths. Requests for company resources are received and evaluated locally by our network of 70 business relations managers. By listening and responding to the varied needs of our communities, these managers help match company resources with regional needs and share best practices across our service areas. Guidelines and an application for grant funding are available at www.duke-energy.com/community/foundation.asp.

VOLUNTEERISM

Volunteerism and civic leadership are important attributes of Duke Energy's history and culture. It is part of what defines us as a company. Here are some statistics on the strength and impact of our volunteer efforts in 2006:

- Total volunteer projects: 530
- Volunteers participating: 8,000 (estimated)
- Employee and retiree volunteer hours: 268,800 (estimated)
- Number of charitable organizations reached: 375
- Number of communities helped: 167

While volunteerism is a year-round commitment at Duke Energy, we conduct an annual Global Service Event (GSE) to recognize and encourage volunteerism. In 2007, we will celebrate the 10th GSE in April and May.

GSE has become a popular way for us to show the power of our teamwork, inspire volunteerism and build our brand. During the 2006 GSE, employees and retirees spent approximately 15,000 hours planning and participating in nearly 400 volunteer projects in almost 140 communities in the U.S. and Latin America. Their efforts touched more than 290 different nonprofit organizations.

COMMUNITY PLANNING

Sustainability is a concept that is good for business *and* communities. In partnership with Global Community Initiatives (www.global-community.org), we offer a Web-based tool to help civic leaders evaluate the "sustainable health" of their communities. Participants respond to a series of questions about their local governance practices and social, economic and environmental conditions, and then receive feedback on their performance based on best practices in community planning. They also receive a list of resources to further improve their performance. This tool is available on our Web site at www.duke-energy/environment/sustainability.asp.

GOVERNANCE & TRANSPARENCY

Be profitable and demonstrate strong governance and transparency

CHALLENGE

- Earn the trust of our stakeholders

OPPORTUNITIES

- Differentiate Duke Energy for its strong governance practices
- Achieve synergies and competitive advantages from the Cinergy merger

GOALS

- Provide investors a superior and sustainable return on their investment
- Assure that we have effective ethics and compliance programs
- Regularly benchmark our corporate governance practices against best-in-class and industry peers and recommend revisions as appropriate
- Assess our supply chain (services and products) from a sustainability perspective and implement appropriate follow-up actions
- Communicate clearly and frequently with our stakeholders

PROFITABILITY AND SUSTAINABILITY

Duke Energy believes that profitability is a prerequisite for sustainability. A business that isn't profitable simply won't be in business for long.

In 2006, we transformed ourselves into a more sustainable company by unlocking our inherent value and reducing the risk in our business.

Four actions contributed to this change:

- The completion of our merger with Cinergy to grow the electric side of our business
- The spinoff of our natural gas transmission and related business lines into Spectra Energy
- The formation of a joint venture to manage our real estate business

- The reduction in our risk profile by selling our unregulated power plants outside of the Midwest and by selling our Commercial Marketing and Trading business.

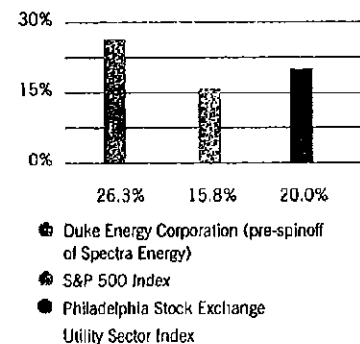
Financial Highlights (In millions except for per share data)*		
	2006	2005
Operating Revenues	\$15,184	\$16,297
Operating Expenses	\$12,493	\$13,416
Net Income	\$1,863	\$1,824
Earnings per Share, Diluted	\$1.57	\$1.88
Dividends per Share	\$1.26	\$1.17
Total Assets	\$68,700	\$54,723

* Includes natural gas operations spun off to become Spectra Energy in January 2007.

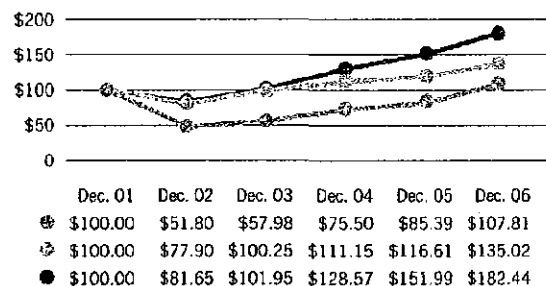
INVESTORS' RETURN

2007 is the 81st consecutive year that Duke Energy has paid a quarterly cash dividend.

Comparison of 2006 Total Return



Comparison of Five-Year Cumulative Total Return*



* Assumes \$100 was invested on December 31, 2001 in company common stock and each index. Values are as of December 31 assuming dividends are reinvested.

AN INDEPENDENT BOARD OF DIRECTORS

An effective board of directors is considered one of the strongest indicators of shareholder value and good governance.

Elected annually, the board consists of nine outside members in addition to Jim Rogers, Duke Energy's chairman, president and CEO. Ann Maynard Gray serves as lead director. None of the outside directors has a material relationship with Duke Energy or its subsidiaries, so the board is independent under the listing standards of the New York Stock Exchange and the rules of the U.S. Securities and Exchange Commission. Additional members, expected to be named in 2007, will bring broader and more diverse perspectives to the board.

Although all employees are subject to our Code of Business Ethics, Duke Energy's board of directors adopted a Code of Business Conduct and Ethics to address the issues unique to their responsibilities. That code is available at www.duke-energy.com/investors/corporate-governance.asp.

COMMUNICATING WITH THE BOARD

Shareholders and other stakeholders can communicate with the lead director or any board member by writing to the corporate secretary, who forwards correspondence to the appropriate director. In addition, the Audit Committee has established a protocol for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

ETHICS INVESTIGATIONS

Duke Energy strives to provide an environment where employees feel free to raise work-related concerns without fear of intimidation or retaliation. The company has also retained an independent provider to take concerns from employees who are not comfortable with internal reporting options or who prefer to use the confidential Ethics Line to report anonymously. All allegations are investigated and the results are reported to the Audit Committee of the board of directors.

BOARD OF DIRECTORS

Julia Janson, Corporate Secretary
Duke Energy, EA 025
221 East Fourth Street
Cincinnati, OH 45202

Members of the public may also contact the company or the board through the Duke Energy Web site, www.duke-energy.com/contact/, or by phone: 704.594.6200 / 800.873.3853

GOVERNANCE & TRANSPARENCY

GLOBAL REPORTING INITIATIVE:

BROAD INDEX TO INDICATORS

Standard Disclosures

Pages 1-7, 28-31

Economic Indicators

Pages 18, 24-28

Environmental Indicators

Pages 11, 12, 14-19

Product Responsibility Indicators

Pages 13, 15

Labor Practices and

Decent Work Indicators

Pages 20-23

Human Rights Indicators

Pages 7, 29

Society Indicators

Pages 4, 10-12, 18, 20, 25

A much more detailed index to all indicators is available at www.duke-energy.com/environment/sustainability.asp.

OUR GOVERNANCE PERFORMANCE

Several organizations rate the quality and performance of a corporation's governance practices.

We monitor the ratings of these three organizations as benchmarks for Duke Energy:

Rating Organization	Duke Energy Score	Scale
The Corporate Library (Feb. 15, 2007) ¹ TCL Rating Governance Risk Assessment Governance Practices Compliance	B Low 93%	A-F (No E) Low or High 0%-100%
Institutional Shareholder Services – Corporate Governance Quotient (Feb. 15, 2007) ² Index Ranking Industry Ranking	13.8 30.7	0-100 0-100
GovernanceMetrics International (Dec. 2, 2006) ³ Overall Global	9.0	0-10
¹ The TCL Rating, Governance Risk Assessment and Governance Practices Compliance Score values are published by permission from The Corporate Library, LLC. For further explanation and information, go to www.thecorporatelibrary.com .		
² The ISS CGQ scores are published by permission from Institutional Shareholder services. For further information, go to www.issproxy.com .		
³ The GovernanceMetrics International score is published by permission from GovernanceMetrics International. For further information, go to www.gmiratings.com .		

SUPPLY CHAIN

Duke Energy adopted a Supplier Code of Conduct in 2006 to clearly establish our expectations of the companies we do business with. We expect our suppliers to conduct their

business with the same regard for fair dealing, respect for the individual and the environment and quality service standards that we expect of ourselves. The Code is available at www.duke-energy.com/suppliers/code-of-conduct.asp.

STAKEHOLDER EXPECTATIONS

Duke Energy is committed to balancing the interests of our stakeholders. We have several pathways and programs to hear and respond to stakeholders' needs.

Stakeholders	Expectations	Fulfillments
Customers	<ul style="list-style-type: none"> Reasonable costs Reliable supply Good customer service Safe operations Minimal air and water emissions Energy efficiency advice Community involvement 	<ul style="list-style-type: none"> Strong management systems Efficient cost control practices Business relations managers' accessibility Customer satisfaction surveys Environmental compliance Customer communication and Web site information Volunteerism
Employees	<ul style="list-style-type: none"> Safe workplace Competitive pay and benefits Open communications Career development opportunities Fair and consistent treatment Strong corporate reputation 	<ul style="list-style-type: none"> Safe work practice policies and training The Portal (online corporate information resource) Career training and development Benchmarking with industry peers Open Forums with executives Confidential ethics hotline Community involvement
Communities	<ul style="list-style-type: none"> Community development Involvement with local initiatives Public safety Employment opportunities Volunteerism Rapid service restoration 	<ul style="list-style-type: none"> Business relations managers' involvement in communities Economic development assistance Global Service Event and other volunteer efforts Duke Foundation grants Cooperative service restoration agreements with other utilities
Suppliers	<ul style="list-style-type: none"> Fair dealing Timely payment Opportunities to grow their businesses 	<ul style="list-style-type: none"> Supplier Code of Conduct Competitive bidding process Confidential ethics hotline Minority/women/veterans business procurement practices
Investors	<ul style="list-style-type: none"> Competitive returns Strong board governance Management accountability Regulatory compliance Strong corporate reputation Transparent reporting 	<ul style="list-style-type: none"> Strong financial performance 81 years of cash dividends Comprehensive management and ethics policies www.duke-energy.com/investors Investment grade credit ratings Strong balance sheet
Regulators	<ul style="list-style-type: none"> Reasonable cost and reliable supply Regulatory compliance Transparent reporting Collaborative policy debates Community involvement 	<ul style="list-style-type: none"> Effective management policies and systems "No surprises" practices Policy leadership
Non-Government Organizations	<ul style="list-style-type: none"> Transparent reporting Accessibility Engage in problem-solving Research and policy leadership 	<ul style="list-style-type: none"> Partnerships and collaboratives on several issues and at various levels Annual sustainability and financial reports Joint research projects Stakeholder dialogues

CASE STUDY IN COLLABORATION:

CATAWBA-WATEREE HYDRO RELICENSING

Duke Energy's Catawba-Wataree Hydroelectric Project is the backbone of the company's generation portfolio in the Carolinas, consisting of 13 hydro plants, 11 reservoirs and 225 river miles. The Catawba-Wataree system is also an important resource to the residents of the Piedmont Carolinas, touching 14 counties in North Carolina and South Carolina.

With its license for the Catawba-Wataree system approaching renewal, Duke Energy collaborated with regional stakeholders to develop recommendations to improve, balance and sustain the power and non-power uses of the Catawba system for the next 40 to 50 years.

The relicensing agreement took more than three years to develop. More than 160 representatives from over 80 organizations in the Carolinas participated in the process, attending more than 300 meetings and analyzing over 2,100 interests in the river. The Comprehensive Relicensing Agreement, filed with the Federal Energy Regulatory Commission in August 2006, was signed by 70 parties.

This collaboration is a powerful example of stakeholders finding common ground to protect and preserve the Catawba River. We've developed a summary case study of the process and its outcomes at www.duke-energy.com/pdfs/cw-brochure.pdf.



Business for Social Responsibility

Business for Social Responsibility (BSR) reviewed Cinergy's 2004 and 2005 Sustainability Reports prior to the merger with Duke Energy, and our annual review has continued with the new Duke Energy. This year, we commented on an early report outline, facilitated a series of stakeholder discussions on report content, and prepared this independent review of the final report. It should be noted that our review neither verifies nor expresses an opinion on the accuracy, materiality or completeness of the information provided in this report.

This year, we are particularly impressed with the:

- **Sustainability Context** – The CEO letter succinctly identifies the most pressing societal issues for Duke Energy and links these issues to the company's operations and activities. Of these, the company's aggressive stance on climate change policy distinguishes it as a sustainability leader among American utilities.
- **Balance** – In addition to highlighting successes, Duke Energy speaks frankly about failures in sustainability performance – for example, in the area of safety – and clearly outlines how it plans to rectify these failures. The company also shares ongoing challenges associated with the merger, including employee frustration and the need for stronger measures of sustainability performance in the future.
- **Response to Stakeholder Feedback** – Since BSR reviewed earlier versions of the report, we can highlight Duke Energy's efforts to respond to stakeholder feedback in the final version, including:
 - More coverage of policy and technological responses to climate change.
 - More information about the company's investment in research and development, particularly clean technologies.

- More thorough and more explicit goal definition in the area of "strong communities."

In looking ahead to future reports, we encourage Duke Energy to strive for the following:

- Demonstrate progress on the goals set out in this report. We readily acknowledge the limitations Duke Energy faced this year in integrating the sustainability performance of two previously separate companies, and the need for better, more quantitative measurements moving forward. In future reports, we look forward not only to a careful review of Duke Energy's performance against existing and soon-to-be-created benchmarks, but also insightful examples of how the goals are being achieved across business units and at the front-lines with customers, employees and communities.
- Address how the company will respond to stakeholder concerns about coal and nuclear generation. In this year's report, Duke Energy articulated the case for increasing base load generation and identified the various alternatives it is considering. These decisions are clearly complex and potentially very contentious for stakeholders. While we know that Duke Energy does engage with stakeholders on these issues, we want to hear more in next year's report about the process and the results of engagement, as well as the steps Duke Energy is taking to respond to any health, safety, and environmental concerns associated with coal and nuclear generation.

Anamaria Nino-Murcia
Manager, Energy & Extractives Program
Business for Social Responsibility
March 23, 2007

This report includes statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. One can typically identify forward-looking statements by the use of forward-looking words such as: may, will, could, project, believe, expect, estimate, continue, potential, plan, forecast and other similar words. Those statements represent Duke Energy's intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside Duke Energy's control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Those factors include: state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures and affect the speed at and degree to which competition enters the electric and natural gas industries; the outcomes of litigation and regulatory investigations, proceedings or inquiries; industrial, commercial and residential growth in Duke Energy's service territories; additional competition in Duke Energy's markets and continued industry consolidation; the influence of weather on company operations, including cable economic, operational and other effects of hurricanes, tornadoes and other natural phenomena; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; general economic conditions; including any potential effects arising from terrorist attacks and any consequential liabilities; changes in environmental and other laws and regulations to which Duke Energy and its subsidiaries are subject; the results of financing efforts, including Duke Energy's ability to obtain financing on favorable terms which can be affected by various factors, including Duke Energy's credit ratings and general economic conditions; volatility in the market prices of equity securities and resultant cash funding requirements for Duke Energy's defined pension plans; the level of creditworthiness of counterparties to Duke Energy's transactions; the amount of collateral required to be posted from time to time in Duke Energy's transactions; growth opportunities for Duke

Energy's business units; including the timing and success of efforts to develop domestic and international power; the performance of electric generation facilities; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; the ability to successfully complete merger, acquisition or divestiture plans, including the prices at which Duke Energy is able to sell assets; and the success of the business following a merger, acquisition or divestiture.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Duke Energy has described. Duke Energy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Information contained in this report is unaudited, and is subject to change.

DISCUSSION OF FINANCIAL RESULTS

2007 FORECASTED FINANCIAL RESULTS

This report includes a discussion of forecasted 2007 ongoing EBIT for each of Duke Energy's reportable segments as a percentage of forecasted 2007 ongoing total segment EBIT. Forecasted 2007 ongoing segment and total segment EBIT amounts are non-GAAP financial measures, as they reflect segment and total segment EBIT adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for forecasted ongoing segment EBIT is reported segment EBIT from continuing operations, which includes the impact of special items. The most directly comparable GAAP measure for ongoing total segment EBIT is reported total segment EBIT, which includes the impact of special items. Due to the forward-looking nature of these non-GAAP financial measures for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures is not available at this time, as management is unable to forecast any special items for any future periods.

CONTACT INFORMATION

We welcome your comments and questions about this report. Send any feedback to:

Robert Bowman, Vice President,
Public and Community Affairs
200 South Union Street
Durham, NC 27601
Charlotte, NC 28202
rbowman@duke-energy.com

INSIDE BACK COVER

Patent Riverbank Park in Catawba County, NC. Photo courtesy of Thomas Wylie.

ON THE BACK COVER (top to bottom)

Bobby Morrison, Distribution Line Technician, installs new equipment in conjunction with People Working Cooperatively, Rachelle Caldwell, Public and Community Affairs Manager, and Kim Sien, Distribution Design Supervisor, prepare to landscape the home provided to a low-income customer.

Duke Energy line crews prepare to leave their response to a call for mutual assistance for storm damage repair.

PRINTING INFORMATION

This report was printed in the USA on Recycled Environment paper. At least 20 percent of the fiber content is certified to have come from responsibly managed forests and a elemental chlorine free. The remaining 80 percent is composed of post-consumer fiber and is process chlorine free.

Duke Energy
526 South Church Street
Charlotte, NC 28202

www.duke-energy.com



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 Group Vice President of Strategy and Policy 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 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.

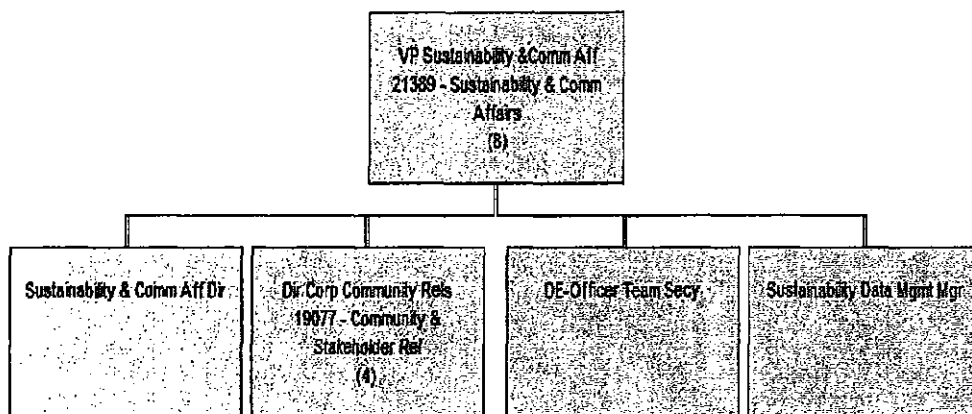
VIII. Goal Attainment and Qualification

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



Areas of Focus Duke Energy Foundation Annual Grants

At the core of The Duke Energy Foundation is its commitment to the community, with a focus in three areas:

- Environment and Energy Efficiency
- Economic Development
- Community Vitality

Inclusiveness/diversity and employee/retiree volunteer initiatives are integrated into all three areas of focus.

Environment and Energy Efficiency

- Programs that support conservation, training and research around environmental and energy efficiency initiatives.

Economic Development

- Skills development, including job entry skills for the new economy and retraining of unemployed and underemployed workers.
- Pre K-12 education focused on math, science and technology.
- Higher education, government or other non-profit initiatives designed to support innovative solutions for business/industry/workforce challenges.

Community Vitality

- Health and human services through United Way, arts & culture, energy assistance, public safety.
- Community leadership development/capacity building.

Giving Guidelines Duke Energy Foundation Annual Grants

The Duke Energy Foundation is the entity that distributes Duke Energy's charitable contributions.

Guidelines

Recipients must be organizations with a 501(c)(3) verification from the IRS or are a part of a governmental entity.

All organizations applying for a grant must have:

- Completed the Online Grant Application.
- A clear reason for making the contribution that relates to our areas of focus.
- Regular reports on the measurable results of the project.

Foundation funds are not provided for:

- Organizations that discriminate by race, creed, gender, age or national origin
- Political activities and organizations
- Grants to individual agencies of the United Way or the Charlotte Arts and Science
- Capital campaigns and endowments, except in extremely rare and specialized situations that relate directly to our areas of expertise in business
- Individuals
- Athletics, including individual sports teams and all-star teams
- Underwriting of films, video and television productions
- Reducing the cost of utility service (prohibited by law)
- Sectarian or religious activities
- Conferences, trips or tours
- Fraternal, veteran or labor groups serving only their members
- Advertising
- Membership fees or association fees, either personal or corporate
- Dinners or tables at fund-raisers are rarely considered
- Family Foundations

Fund Requests

Effective April 1, 2006, The Duke Energy Foundation converted to an online grant request process. The new process makes applying for foundation funds simpler and more convenient for organizations. Please make all funding requests by clicking "Online Grant Application" on the left-hand side of the page. Requests for 2008 funding will be considered beginning mid-2007.

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

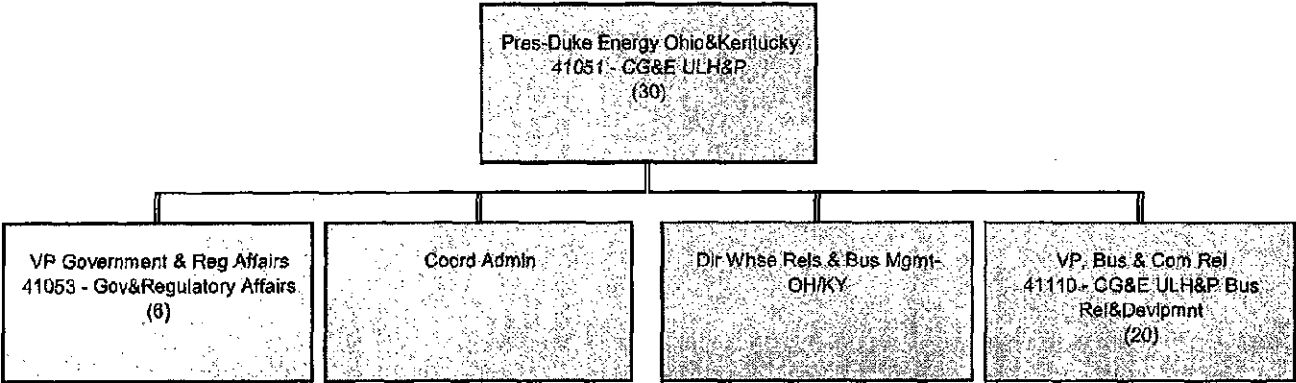
The Business Relations Department is the communication conduit of the company for large customer and community related developments, which need to be interpreted and communicated internally, and for company positions, which need to be taken.

VIII. Goal Attainment and Qualification

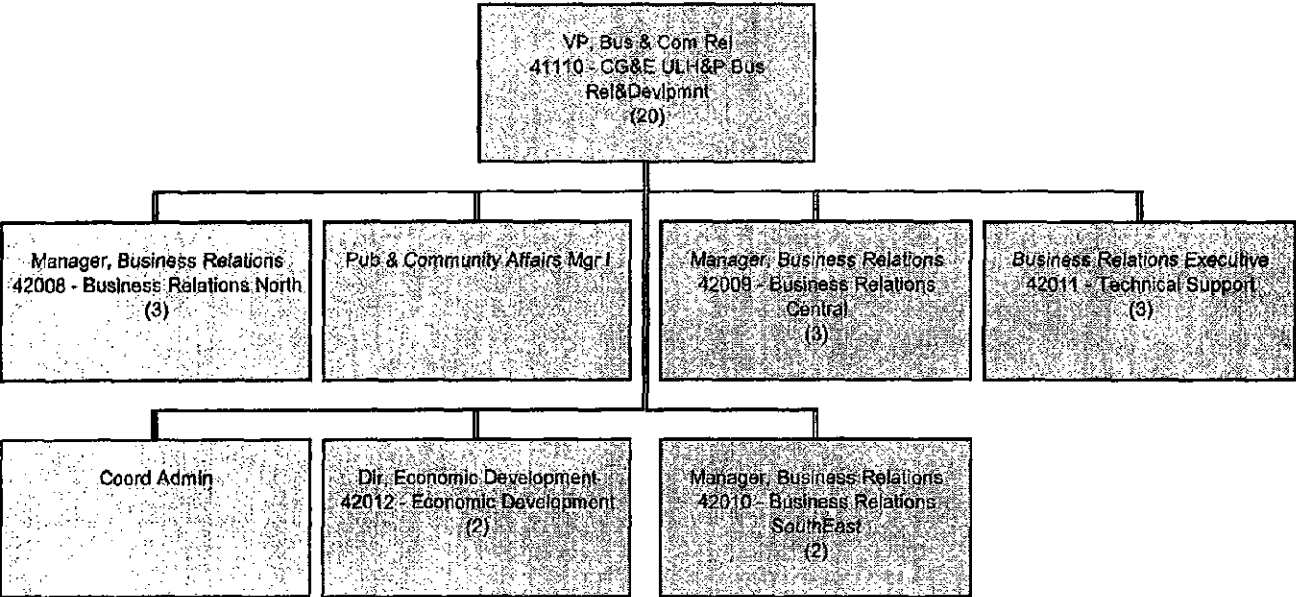
Annual individual and team goals are set at the beginning of each calendar year and reviewed mid-year and at year-end to determine achievement levels. Evaluations include the level of difficulty and effort exerted to achieve each goal, the achievement level itself, and whether each goal was pursued in 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 AND ORGANIZATION
ECONOMIC DEVELOPMENT DEPARTMENT
SFR Reference: Chapter II (B)(9)(d)(iv,v)

I. Policy and Goal Setting

The Company's Economic Development group partners with the State of Ohio, local communities, and local economic development agencies to promote economic growth and sustainable development.

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 with input from department employees and other key departments including the marketing support organization. The goal setting process 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. Final approval of the goals and policies rests with senior management including the Vice President of Business Relations & Development.

II. Strategic Planning

Strategic planning within Economic Development is led by the Director, Economic Development with support from various departments including Business Development and Origination, Market Analytics, Corporate Strategy, Power Delivery and Governmental and Regulatory Relations. The plan includes evaluation of current regional market conditions and an analysis of where Duke Energy resources can best be leveraged to maximize Duke Energy Ohio assets and improve the economic vitality of the service territory. Planning is approached using the principal that an integrated gas and electric market development effort will result in a more cost effective method of delivering a portfolio of services to customers.

Final plans are reviewed and approved by senior management including the Vice President of Business Relations & Development and the President of Duke Energy Ohio and Duke Energy Kentucky.

Economic Development Project Managers determine the activities needed to fulfill their assigned responsibilities and goals, and recommend resource requirements needed to perform these activities. From these recommendations, budgets are developed by the manager and submitted to senior management for approval.

Progress in developing and implementing the plans and the results obtained are reviewed quarterly and adjustments are made as necessary.

III. Organizational Structure

Economic Development is headed by the Director, Economic Development, who reports to the Vice President of Business Relations & Development for Duke Energy Ohio, who in turn reports directly to the President, Duke Energy Ohio. Two Project Managers report directly to the Director, Economic Development.

An organizational chart is attached as Exhibit ED-1.

IV. Responsibilities

The responsibilities of the Economic Development Department are as follows:

- Meet with internal stakeholders such as Business Development and corporate executives of industries considering expanding or relocating their facilities and help demonstrate the advantages of locating, expanding or remaining in this service area or region;
- Work closely with various chambers of commerce in designing and executing programs for economic improvement in the region;
- Work closely with various state agencies for economic development in the furtherance of their programs and client assistance;
- Work closely with local communities in the planning, zoning, development of land use, infrastructure development, and other measures targeted to maximize economic development potential;
- Investigate, research and analyze various aspects of industry statistics and demographics in answering questions and concerns of prospective industries;
- Provide prospective customers with information on gas and electric rates and opportunities to obtain the desired service at the most attractive rate;
- Collaboratively work with other state and local economic development agencies to advertise and disseminate information to attract new industry to the region;
- Serve as a point of contact to coordinate service delivery to new companies recruited to the service area.

The responsibilities of the Business Development and Origination managers include:

- Coordinating with the Duke Energy Ohio Economic Development department to identify target industries for growth in Ohio
- Proactively generate growth and expansion leads within the targeted industries
- Transition qualified leads to the Ohio Economic Development department for follow-up

V. Practices and Procedures

Daily activities for Economic Development personnel include:

- Encouraging new companies to locate within the service territory;
- Promoting the region with various economic development community participants including site consultants, developers and real estate professionals;
- Responding to economic development prospect requests;
- Coordinating installation of appropriate gas and electric facilities and delivery of appropriate products and services by the Company in time to meet the customers' needs;
- Serving on state-level policy boards and local economic development in order to influence policy and programs;
- Providing technical assistance to local and regional economic development organizations, chambers of commerce and others; and
- Supporting local economic development organizations with in-kind services such as community profiles, aerial photography and other marketing materials.

VI. Decision Making and Control

Departmental decision-making and control within the Department is dependent upon whether a particular decision affects others outside the organization, and the value in terms of resources and impact. Decisions are made at the lowest practical level in the organization and include input from key stakeholders whenever appropriate.

The Department follows all corporate policies regarding the approval of work and expenditures. Through staff meetings, the Department manager monitors the overall allocation of resources and performance against annual budgets and goals, and makes decisions within his/her operation. 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 Economic Development Department is the primary communication conduit between the company and local and regional economic development organizations.

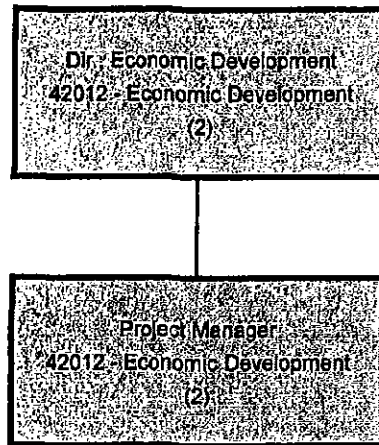
External communication channels include direct mail, telephone, e-mail or face-to-face meetings; and, may be at the request of the customer or on the Company's initiative. Department employees also frequently represent the Company and region at industry seminars and conferences, during national and international recruiting visits, and on economic development boards.

Within Economic Development, openness and two-way communications are encouraged between every level. Information regarding projects, progress toward departmental goals and changes to corporate policies and plans are also shared during departmental staff meetings. It is the manager's responsibility to communicate additions and revisions of corporate policies to employees as appropriate. Corporate information and industry information is available to employees through the employee portal and monthly reports.

VIII. Goal Attainment and Qualification

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 a higher degree of professionalism.

Economic Development



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.

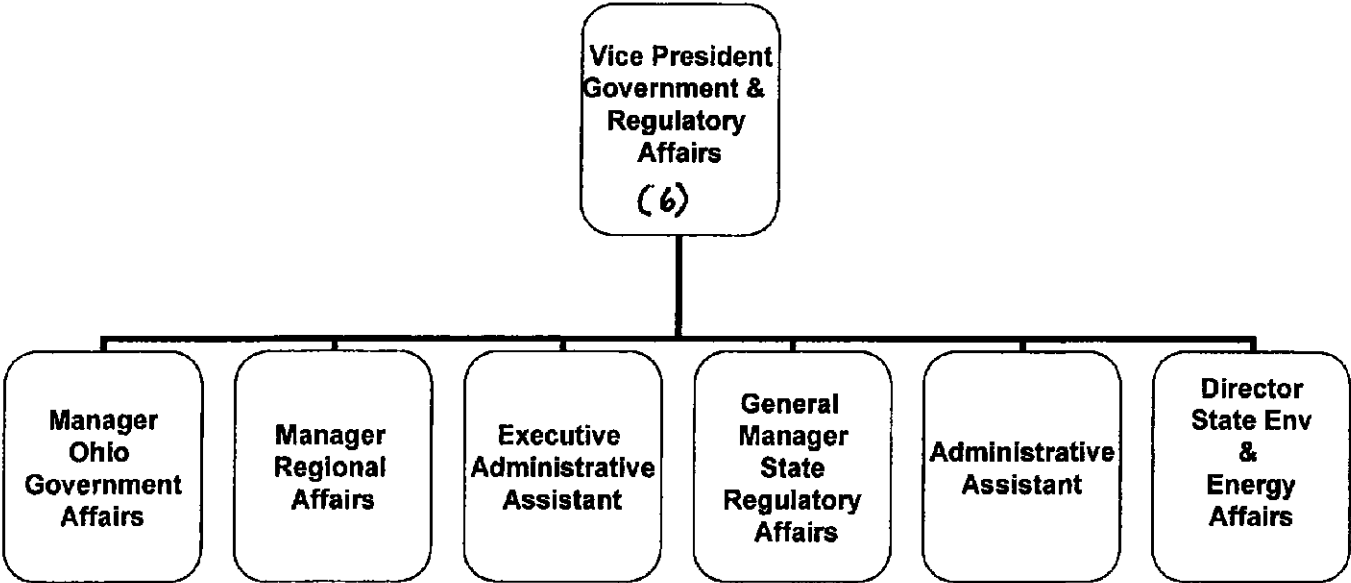
Corporate activities and issues are relayed from the Vice President to the Department employees at regular staff meetings and information is exchanged about emerging issues internally and externally.

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.

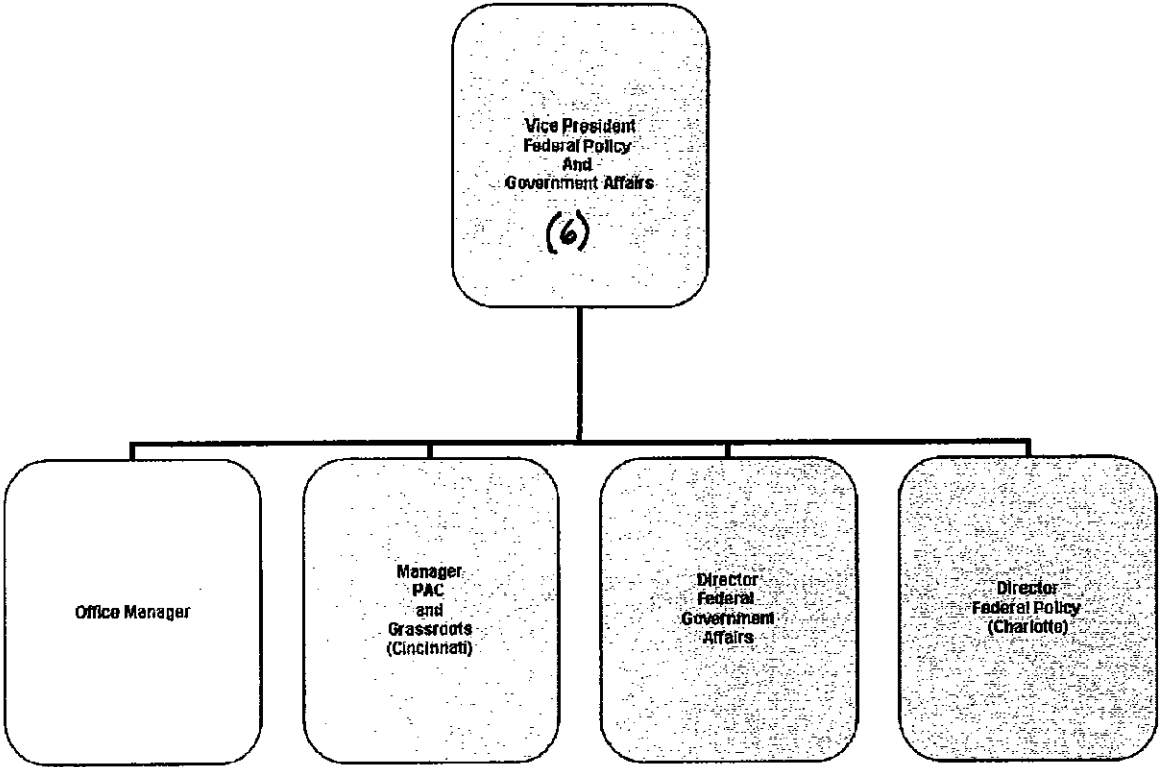
For all employees, internal communication is encouraged with those departments that are impacted by the various legislative and regulatory policies and proposals that are being analyzed. Teams are utilized as needed to facilitate inter-

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 Policy and Government Affairs Organization



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

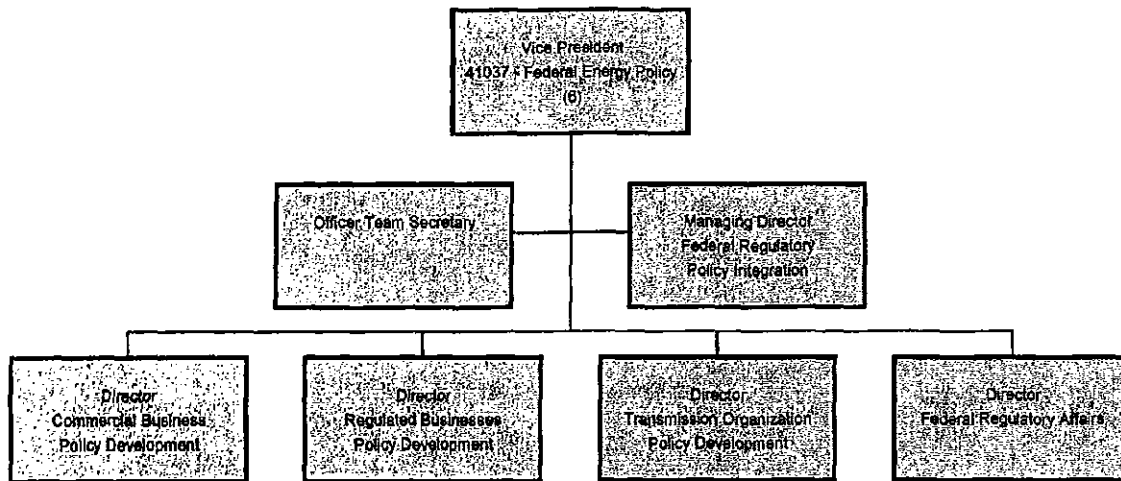
The Federal Energy Policy Department is the communication conduit of the company for external federal and regulatory developments which need to be interpreted and communicated internally, and for company positions which need to be relayed to appropriate regulatory bodies. Timekeeping requirements and 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. Also, manage update @ duke-energy is produced periodically (Exhibit CC-3).

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

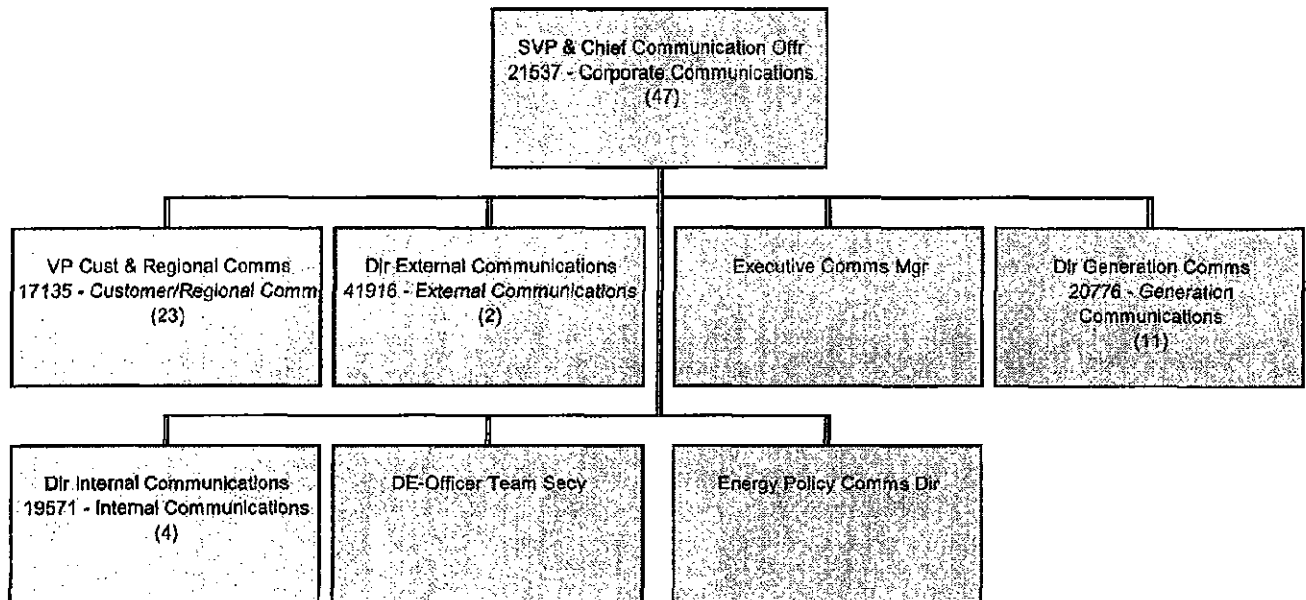
VIII. Goal Attainment and Qualification

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.

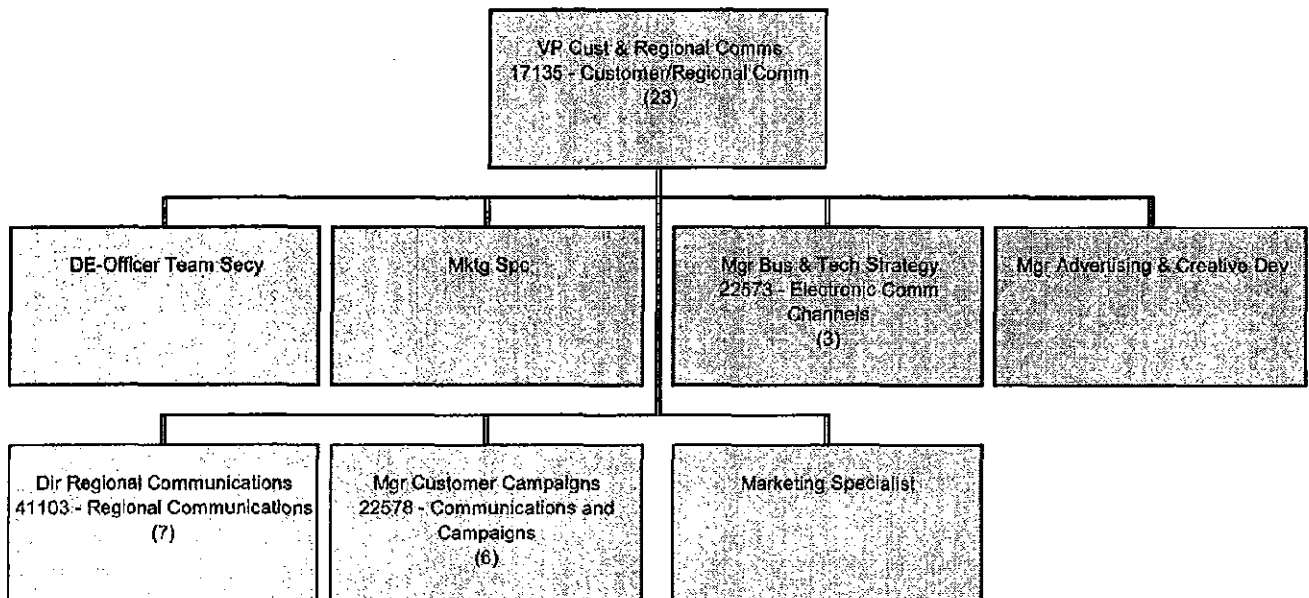
Certain criteria in survey data are identified to become benchmarks on which the effect of certain programs will be measured. In addition, overall attitudes toward the Company determine if there are specific changes that can be addressed through communications programs.

DUKE ENERGY MANAGEMENT STRUCTURE

Senior Vice President & Chief Communications Officer



Vice President Customer & Regional Communications



This e-mail distribution is being sent on behalf of regional communications.
Please do not use the "reply" function. Questions should be directed to the contact name provided in the announcement. To submit items for *Ohio/Kentucky Weekly*, e-mail your requests to InternalDistOHKY@duke-energy.com.

Ohio/Kentucky Weekly

To keep you informed of upcoming Ohio/Kentucky events, the regional communications department is distributing *Ohio/Kentucky Weekly*. Below is a brief look at local activities and other news-related items for the week ahead.

MAY 7 - 12

MARK YOUR CALENDAR

Your Help is Still Needed

Many Duke Energy employees have already visited the "Volunteers in Action" site on the portal and signed up for a project. However, there are still more events and projects that need project leaders and/or volunteers:

- The Cincinnati Parks 12th Annual Butterfly Show, May 12 (Project ID 2950) needs volunteers to work in the butterfly display room greeting visitors, guarding the door or assisting in the Education Room with crafts.
- The city of Florence Nature Park needs help staining the deck (Project ID 2684) at the Evelyn Kalb Gathering House May 15.
- Community Resource Center Inc. (Project ID 2619) in Cincinnati needs help now through May 31 sorting thousands of packages of batteries by type and expiration date.
- The Diocesan Catholic Children's Home (Project ID 2494) needs help painting 34 rooms while the children are in school. Groups can do either one room or multiple rooms depending upon group size.

If you are interested in any of the above listed projects or want to view additional volunteer opportunities, please visit the "Volunteers in Action" site of the Portal. Go to the Employee Center and select "Matching Gifts and Volunteerism." Click on "Volunteers in Action" to add your volunteer event to the site; view the current list of project opportunities and so much more.

REMINDERS

Midwest Exchange System Outage

A Midwest Exchange system outage has been scheduled from midnight on Friday, May 4, to 3 a.m. on Saturday, May 5. Additional maintenance will be performed during a second outage on Saturday, May 5, from 10 p.m. to 1 a.m. E-mail access will be unavailable for the duration of both outages. Note: Only Midwest users on the EXcincymb03 and EXcincymb04 servers will be affected.

If you have an urgent business need and require e-mail access during these outages, please contact Greg Combs at 287-2299 or Scott Foster at 287-4377 as soon as possible.

Duke Energy Night at Great American Ball Park

If you are a Duke Energy employee and work in Ohio or Kentucky, please plan to come out, bring a guest and watch the Cincinnati Reds play the Texas Rangers at 7:10 p.m. on Friday, June 15. Once again, it's going to be Duke Energy Night at Great American Ball Park, an event organized to thank you for your hard work and dedication. For those whose work schedule does not allow them to attend the June 15 date, alternate dates of June 12, 14 and 17 are also available.

To order your tickets, click on [Reds tickets order form](#) and select the desired game date(s). You will need to print the form, complete the information, and mail or fax it to the Cincinnati Reds at the listed address or fax number. For those who want to take additional friends and/or family members, or attend more than one game, additional tickets can be ordered at a discounted rate of just \$8 each in the View Level. Duke Energy employees working outside of Ohio and Kentucky are not eligible for free tickets, but can purchase tickets for \$8 each.

Don't wait! Order your tickets now and enjoy a fun evening with family, friends and coworkers at the Reds June 15!

LOST AND FOUND

Corporate Security has agreed to handle lost and found items for the Downtown Cincinnati campus. Any found item should be turned in at the Fourth and Main Corporate Security desk, located on the second floor near the cafeteria. Lost items should be claimed here as well. Generally speaking, campus-wide e-mail alerts will no longer be sent for lost and found items.

CHECK IT OUT

For information on employee discounts, Virtual Academy training and much more, visit the [Portal Employee Center](#) and [Midwest Region page](#).

To submit information for *Ohio/Kentucky Weekly*, e-mail your requests to InternalDistOHKY@duke-energy.com. Please submit your request by NOON Thursday for distribution on Friday.

managerupdate@duke-energy

This publication is e-mailed periodically to managers and supervisors. It provides background on company issues for you to cover with your employees.

Company Reports Strong First Quarter

Early Tuesday, the company announced 2007 first quarter financial results. Late morning, company executives updated analysts during a Web cast. Highlights follow.

Ongoing diluted earnings per share (EPS) were 30 cents – versus 21 cents in first quarter 2006. The 21 cents excludes results of the natural gas businesses, which were spun off in January 2007.
...The company is on track to reach the 2007 employee incentive target of \$1.15.
...Also on track: achieving the annual earnings growth of 4 to 6 percent.

The results reflect strong performance of the company's core regulated businesses and continued progress on completing merger initiatives.

Franchised Electric & Gas

FE&G reported first quarter 2007 EBIT of \$574 million, compared to \$359 million in first quarter 2006.
...The addition of Cinergy's regulated operations contributed \$218 million of EBIT for the quarter, making it the largest driver in the increase.
...FE&G also benefited from favorable weather and customer growth, and proceeds from a settlement with the U.S. Department of Energy.

FE&G saw strong operational performance:

...Nuclear plants delivered a capacity factor of 97.2 percent;
...Fossil/hydro generation's availability was above target – at 93.1 percent.

International Operations

International produced EBIT of \$94 million, compared to \$86 million in last year's first quarter.
...The increase was driven primarily by favorable energy prices in Brazil and favorable foreign exchange rates.

Merger Initiatives

The company is ahead of plan on merger-related initiatives.

...Most of the cost-savings initiatives identified in 2006 are now completed or on track for completion.

...A continuous improvement effort, led by Bill Currens, was launched in February to identify additional ways to simplify processes and reduce duplicative efforts, particularly in shared services and corporate functions.

...In 2006, approximately \$132 million was shared – in the form of rate reductions -- with customers in North Carolina, South Carolina, Ohio, Indiana, Kentucky. In first quarter 2007, approximately \$51 million was shared. Approximately \$37 million and \$6 million will be shared in the second and third quarters, respectively.

...Merger-related reductions will, for the most part, roll off in 2007, allowing for future earnings growth.

During the analyst update, Chairman Jim Rogers said, "Let me say how pleased I am with the focus and dedication of our team, from senior management to hard-working employees at every level.

"Our achievements in 2006, as well as our ongoing successes, reflect employees coming together to create value for our customers, investors and shareholders."

Confused by Media Reports?!

The company reported a solid quarter, but early wire stories focused on profits being down. Keep in mind that many media outlets, including the Wall Street Journal, look at *reported* EPS. Most companies, including Duke Energy, focus on *ongoing* EPS as that produces a more meaningful comparison from quarter-to-quarter.

You may also see that the company's 30 cents in ongoing diluted earnings for first quarter was 1 cent below what analysts had forecast. However, analysts' predictions ranged from 25 cents to 39 cents. The wide range signals that analysts are still getting a handle on what to expect from Duke Energy quarter-to-quarter, following the January spinoff of the gas businesses. Analysts have a tighter range for annual projections.

Details Unveiled on Save-a-Watt Regulatory Approach

May 7, Duke Energy submitted an innovative "save-a-watt" approach to the North Carolina Utilities Commission, outlining ways to greatly expand energy efficiency programs to N.C. customers. The approach would put energy efficiency on an equal footing with investments in power plants – and help the company meet growing demand at a lower cost.

Duke Energy would be compensated for "watts saved" – or results – versus dollars spent. The company is asking NCUC for an expedited decision. For more background, see the interview with Ted Schultz, vice president, energy efficiency.

Plans are being finalized for offering this approach in South Carolina, Indiana, Kentucky and Ohio.

Decision Expected Soon on Ohio Green Power Pilot

A decision by the Public Utilities Commission of Ohio is expected soon on a Duke Energy application to launch a green power pilot program. Called "Go Green Power," the one-year pilot will allow customers to sign up to receive electricity from renewable sources. Customers would apply online; the monthly kilowatt-hour rate would be slightly higher to reflect the higher cost of renewables. Once approved, the program will be available within a few days to Duke Energy Ohio customers.

Indiana IGCC Project Achieves Another Milestone

In April, the company filed the initial engineering and design study, and revised cost estimates, for the proposed 630-megawatt integrated coal-gasification combined-cycle project in Edwardsport, Ind. The study, which was filed with the Indiana Utility Regulatory Commission, confirmed IGCC as the best option for meeting base-load capacity needs for the company's Indiana customers. The cost estimate of about \$2 billion is in line with estimates from the Electric Power Research Institute for plants this size and type. Milestones to be completed: receiving a certificate of need from the IURC, receiving the air permit and approval by the Duke Energy Board of Directors.

Upcoming Dates of Interest

- ** May 10 – Annual shareholders' meeting, Charlotte
- ** By end of May – Company to file revised cost estimates on new Cliffside (N.C.) unit with NCUC
- ** June 1 – Company to file for rate review in N.C., as condition of merger agreement with NCUC (company's N.C. rates have not changed since 1991)
- ** June 18 – Hearings begin on IGCC project's application for certification to build

Feedback

"Manager Update" is generated by Corporate Communications. Comments are welcome and can be sent to Anne Sheffield (asheffie@duke-energy.com).

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. 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. The factors are then weighed and combined 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 seven 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; and 7) Commercial Businesses Corporate Development. 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.

An organizational chart is attached as Exhibit IA-1.

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.

An organizational chart is attached as Exhibit E&C-1.

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

The organization is comprised of a Vice President, Securities & Financial Reporting & Securities along with two other associates.

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.

An organizational chart is attached as Exhibit LG-2.

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.

This organization consists of Vice President Legal, Executive Compensation and Benefits plus one staff member .

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 has 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.

An organizational chart is attached as Exhibit LG-3.

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.

An organizational chart is attached as Exhibit LG-4.

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.

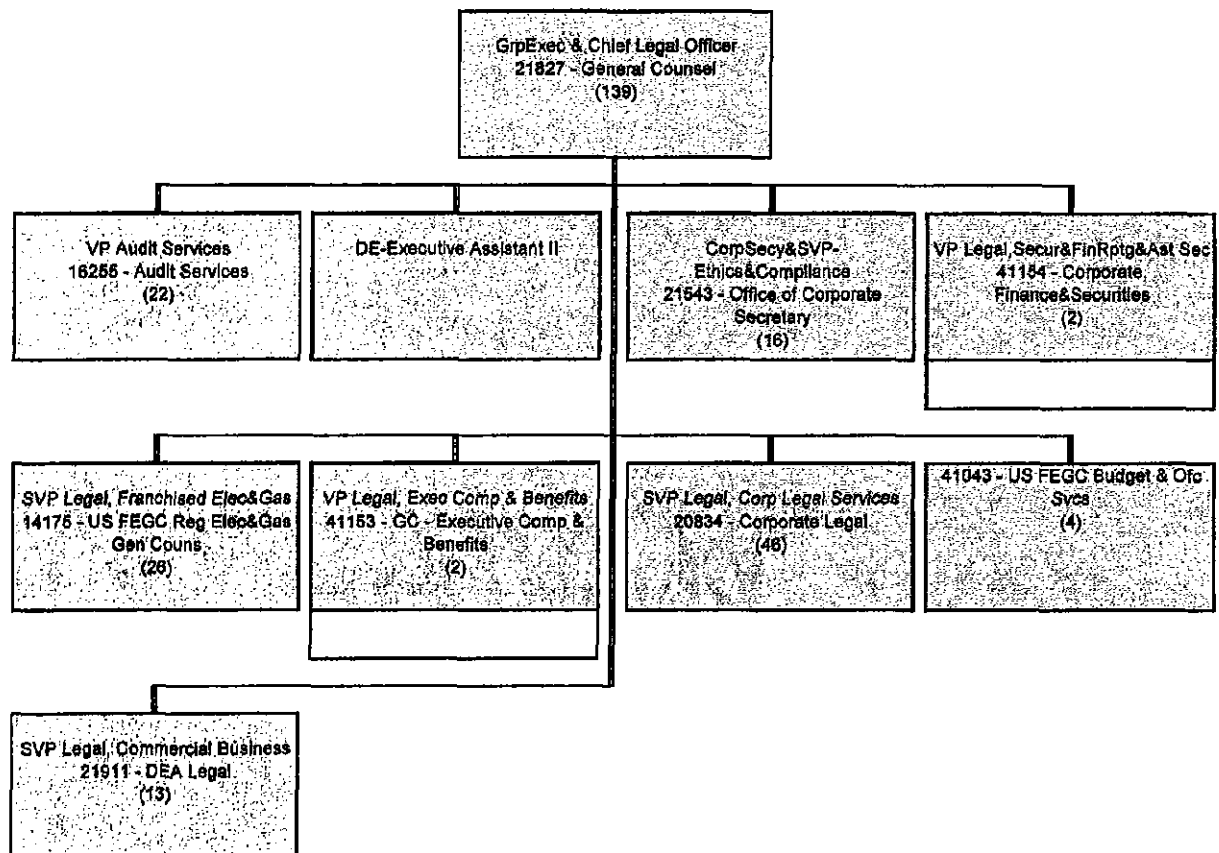
VIII. Goal Attainment and Qualification

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.

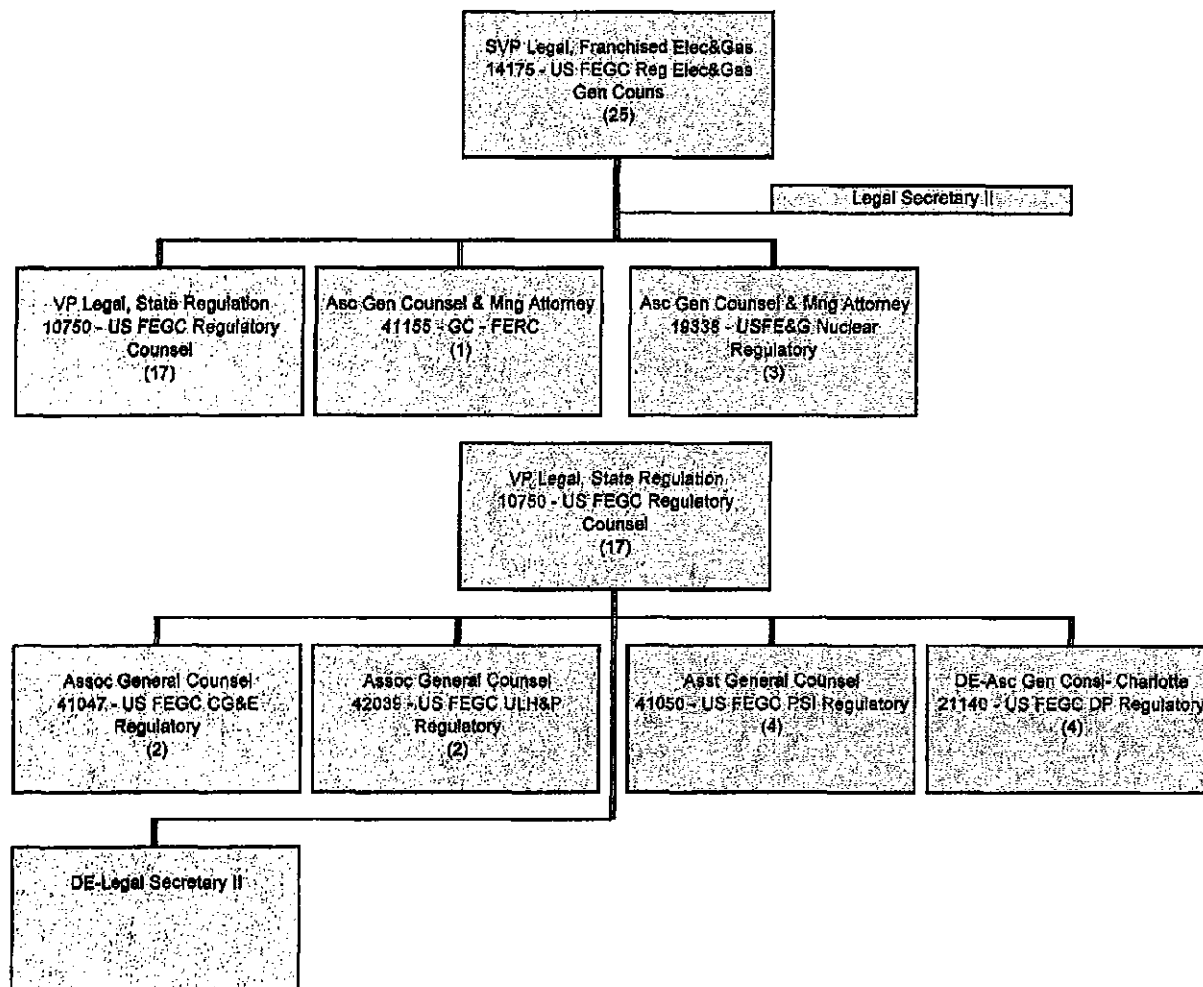
DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Group Executive & Chief Legal Officer



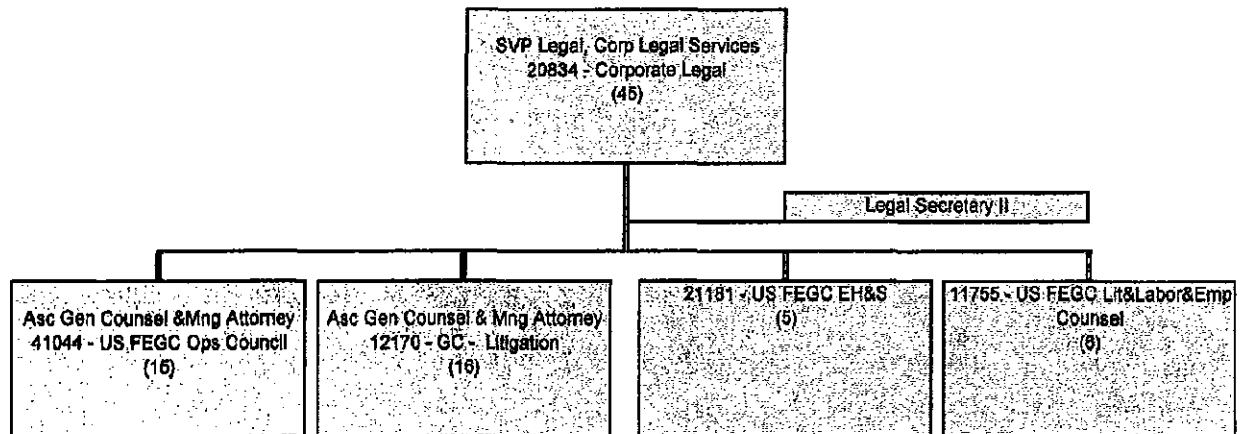
DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Senior Vice President Legal, Franchised Electric & Gas



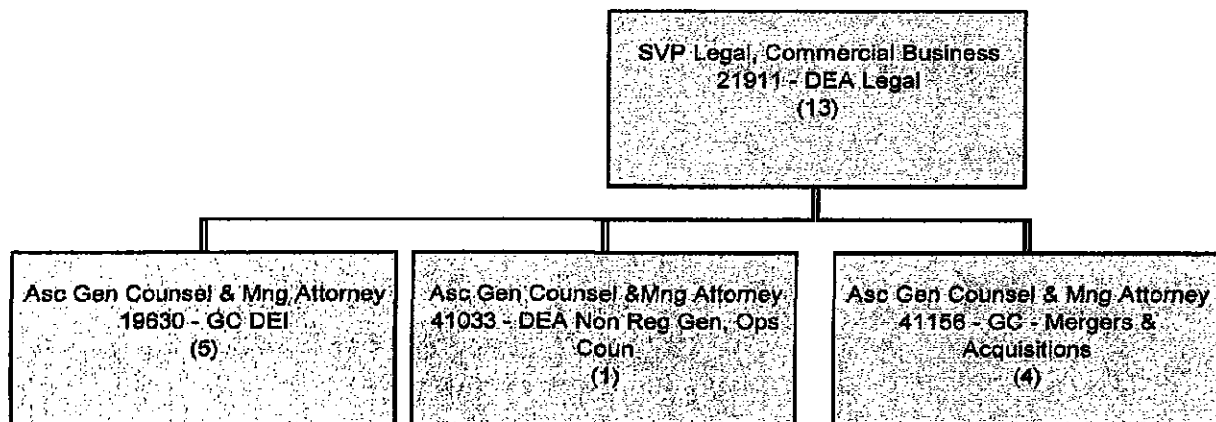
DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Senior Vice President Legal, Corporate Legal Services



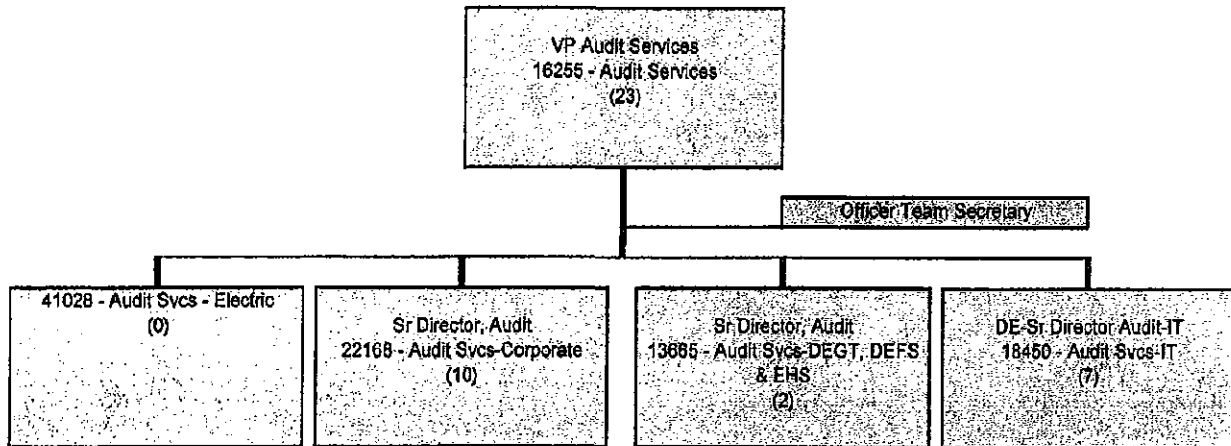
DUKE ENERGY MANAGEMENT STRUCTURE

Senior Vice President Legal, Commercial Businesses



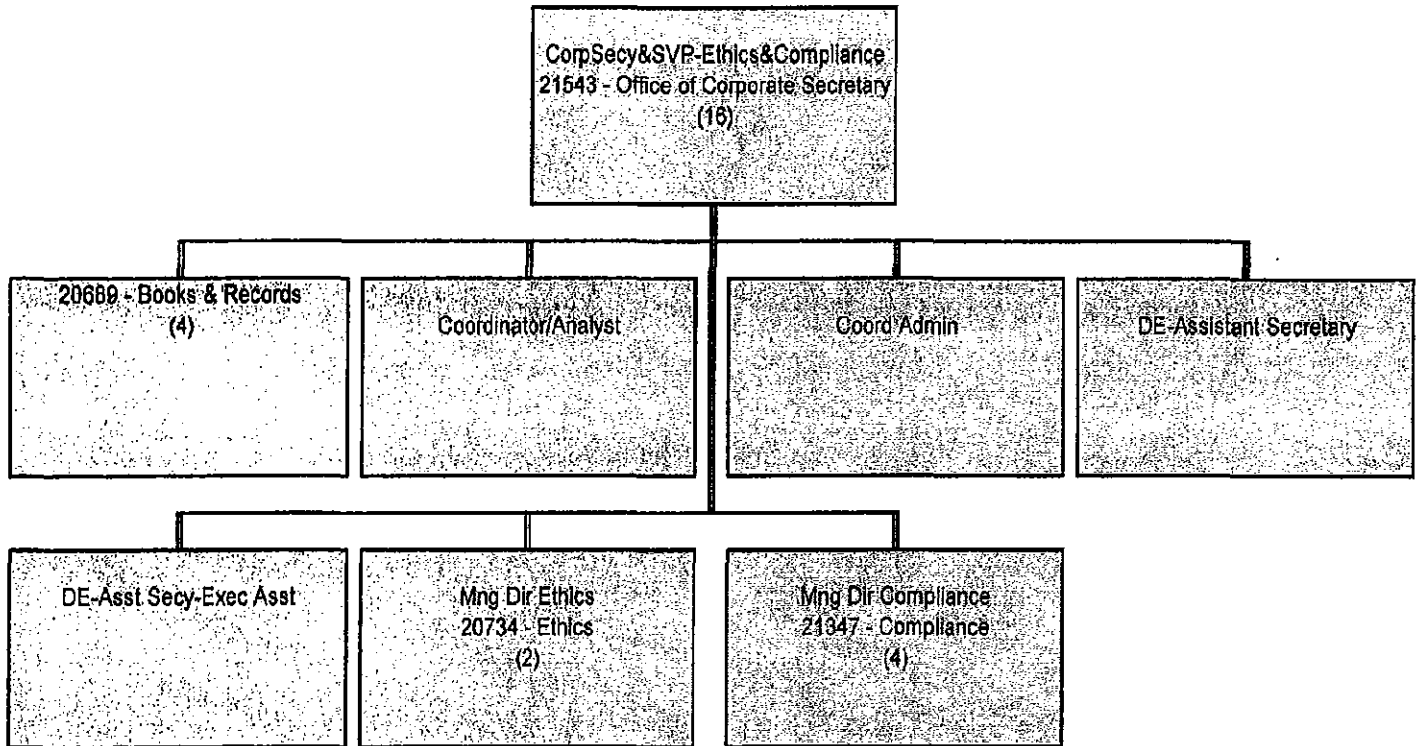
DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Vice President Audit Services



DUKE ENERGY CORPORATION MANAGEMENT STRUCTURE

Corporate Secretary & Senior Vice President Ethics & Compliance



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 – Exhibit IA-3. 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.

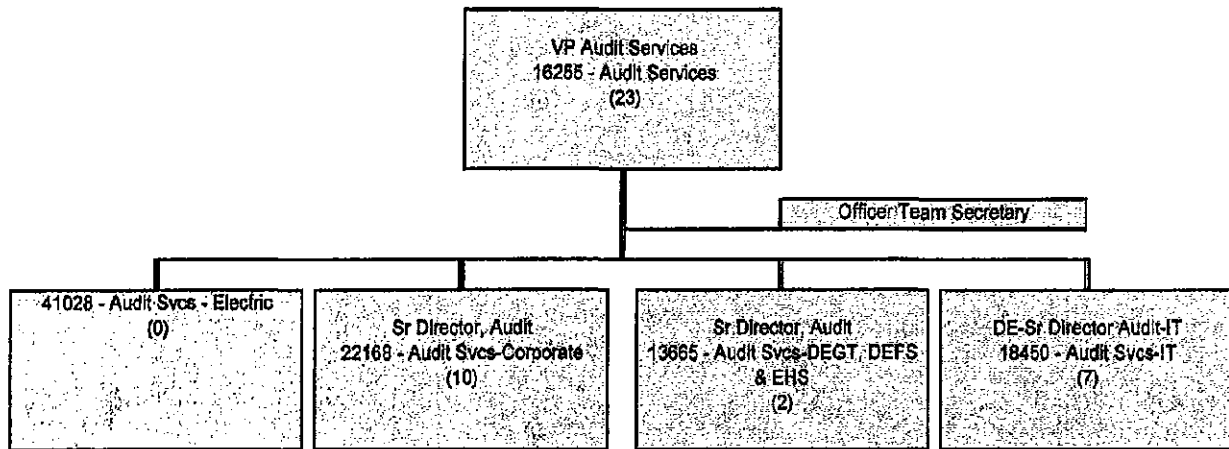
Corporate Audit Services provides periodic updates to the Audit Committee as noted above.

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

Proposed 2007 Audit Plan

Enterprise

Capitalization Practices Review
Contract Administration & Contractor Management
Contract Formation
Human Resources Processes
Journal Entry Fraud Review (Quarterly) (R)
Transaction Review Committee Processes

Duke Energy Corporate

Business Continuity Planning Program Office Review (IT)
Compliance Technology Solution Implementation Review
Corporate Policy Convergence Review
Cybernation ESP Job Scheduling (IT)
Disclosure Controls Review
Energy Efficiency Program Review
Enterprise Asset Management Project (D) (IT)
ERP Platform Upgrade (D) (IT)
File Share Management (IT)
Financial Information Hub (D) (IT)
Gift Log Policy Compliance
Hewitt Contract Administration

Hyperion Financial Management Migration (D) (IT)
IBIS Data Warehouse (IT)
Intrusion Detection (IT)
IT Management Processes – PICCASO (D) (IT)
Lease Administration and Accounting
Mobile Devices (PDAs, Blackberries, Laptops) (IT)
Officer and Director Expense Reporting
Payroll Processing & Fraud Review
PeopleSoft HRMS Upgrade (IT)
Proxy Development (Executive Compensation)
Record Retention Processes
Stock Compensation Administration and Accounting

(IT) – Information Technology
(D) – Design Effectiveness Review
(R) – Required Audit

Proposed 2007 Audit Plan (cont'd)

FE&G Nuclear

Nuclear Inventory Management

FE&G Regulated Generation

Bulk Power Marketing Operations Review

Construction Project Management Processes

Disbursements Fraud Review

EHS Product Suite Implementation (IT)

Environmental, Health & Safety Data Management

Integrated Supply Management Processes

Midwest EHS Management System Baseline Review

Midwest Energy Management System Replacement (D) (IT)

Midwest Plant Review

NERC Critical Infrastructure Protection Compliance Readiness (D) (IT)

Regulated MISO Front & Middle Office

SCADA Network Segregation (IT)

FE&G Power Delivery

Advanced Metering Infrastructure (IT)

Carolinas Contractor EHS Management

Maintenance Practices

Midwest EHS Management System Baseline Review

Mobile Workforce Management Systems (IT)

(IT) – Information Technology
(D) – Design Effectiveness Review

Proposed 2007 Audit Plan (cont'd)

FE&G Customer & Regulatory

Customer Data Privacy (IT)
 Energy Data Management System Implementation (D) (IT)
 Gas Procurement (R)
 Interruptible Transportation Gas Billing Processes
 Merger Conditions Compliance Review
 Midwest FERC Order 2004 Compliance
 Payment Card Industry Data Security Standard Compliance (IT)
 Quarterly Gas Cost Recovery
 Regulatory Tracker/Rider Accounting and Reporting Audit – Indiana
 State Affiliate Code of Conduct – Kentucky
 State Affiliate Code of Conduct – North Carolina (R)

Duke Energy International

Aquaytia General Controls Review
 Brazil General Controls Review
 EHS Management System Review

Commercial

CAM Fuel Procurement
 CAM Operations and Accounting
 DEGS Operations and Accounting
 Plant Review
 Price Index Reporting (R)
 REAP/Credit Risk System (IT)
 Telecom Accounting Processes

(IT) – Information Technology
 (D) – Design Effectiveness Review
 (R) – Required Audit

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 (reference Exhibit CSUM-5) 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 Senior Vice President Ethics and Compliance who reports to the Group Executive and 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 Ethics and Compliance 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

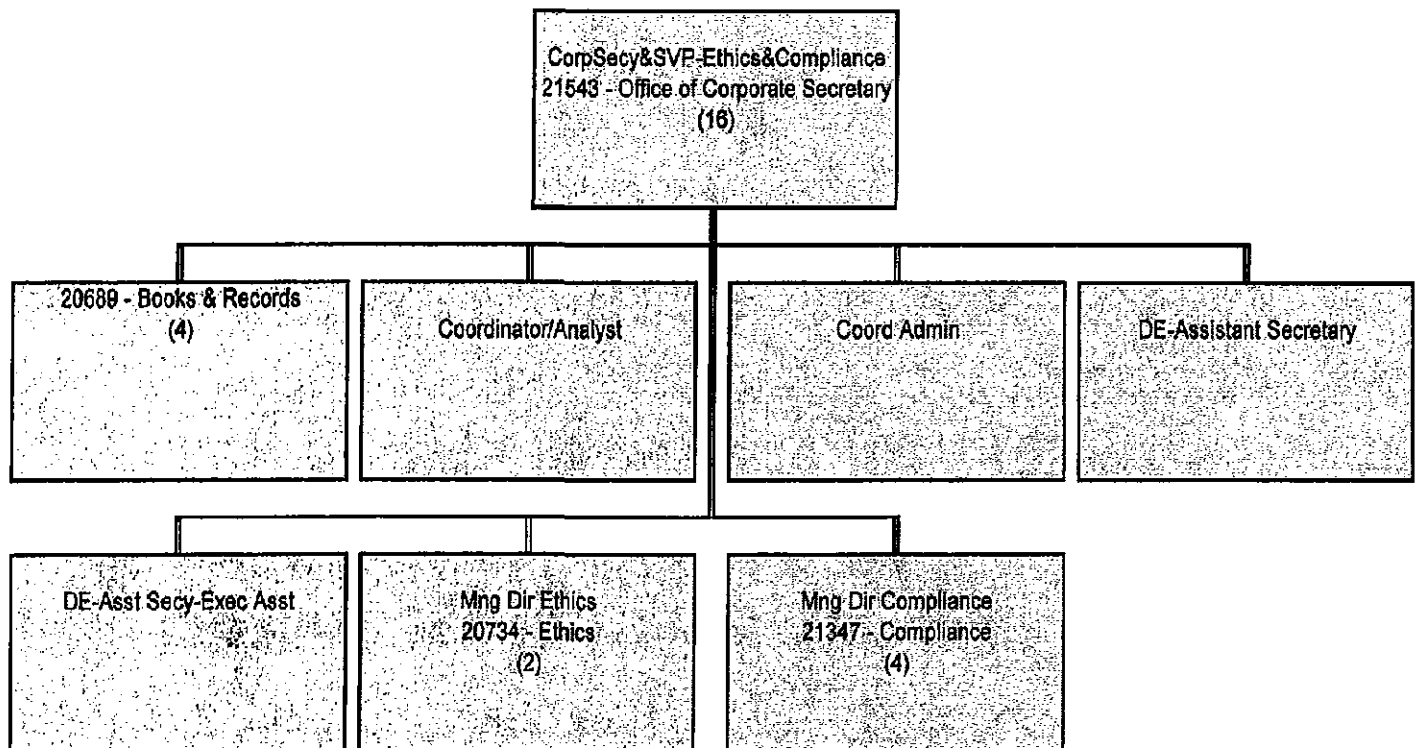
Because the structure of the Program incorporates multiple functions and is designed to leverage those functions in whose primary responsibility feeds a component of the Program (versus duplicating the function within the Compliance function), it is imperative that the flow of information among the various 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 Senior Vice President Ethics and Compliance. 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 CORPORATION MANAGEMENT STRUCTURE

Corporate Secretary & Senior Vice President Ethics & Compliance





Duke Energy Code of Business Ethics



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Duke Energy Employees:

The Duke Energy Charter establishes our purpose, objectives, values and measures of success. One of our core values is integrity – ethically and honestly doing what we say we will do – both as individual employees and as a company.

Our Code of Business Ethics (CoBE) establishes standards of business conduct designed to help each of us conduct business ethically and honestly. A lot of careful thought and consideration went into producing it, consistent with our Charter and business goals.

Some sections may be more relevant to certain business areas than others. Regardless, all employees are responsible for being familiar with our CoBE so that you understand what you need to do when faced with an ethical dilemma.

You are encouraged to bring work-related concerns, including suspected violations, first to your supervisor. If you are uncomfortable in doing so, you are free to talk to another member of management, a human resources representative or someone in the ethics and compliance office. Additionally, the EthicsLine is a third-party resource you can use, and you can do so anonymously. The important thing is that you talk to someone, and this CoBE is your guide.

For former Cinergy employees, this CoBE should be used in conjunction with the Cinergy Working Environment Policy Manual (WEPM), which remains in effect until both the CoBE and WEPM are merged in the future.

Ethical behavior underpins our Charter's values and measures for success. I urge you to use this CoBE as a guide. By doing so, you will have taken an important step in helping our company achieve its business goals.

Jim Rogers

Jim Rogers
President and Chief Executive Officer

About the Code

Duke Energy's Code of Business Ethics describes ethical risks for employees, provides guidance to help recognize and deal with ethical issues, and explains how to report unethical conduct and help foster a culture of integrity and accountability. This Code applies to Duke Energy, its subsidiaries and its affiliates. Contractors, suppliers and vendors are expected to support effective compliance programs within their own organizations. Some sections and topics may be more relevant to certain functions or departments than to others. However, since one instance of a person failing to act with integrity can damage the company's hard-earned reputation and compromise the public's trust, every Duke Energy employee is responsible for being familiar with the entire Code. The Code has been adopted by the company's board of directors and represents a commitment to promote an organizational culture that encourages ethical conduct and compliance with the law. A separate Code of Business Conduct and Ethics applies to Duke Energy's board of directors.

Duke Energy employees should be aware that:

- This Code cannot anticipate every possible situation or cover every topic in detail. If a situation is unclear, employees should ask for guidance before *taking action*.
- Most of the topics covered in this Code are explained in greater detail in a company policy.
- From time to time the company may establish training programs to address specific areas of risk.
- Reading this Code is not a substitute for completing training and complying with specific policies and procedures.
- This Code does not necessarily take into account all applicable legal requirements. More restrictive laws or requirements take precedence. Where applicable legal requirements conflict with the standards in this Code, employees should ask for guidance before taking any action.
- The existence and provisions of this Code do not by themselves create any additional contractual right to continued employment. However, to the extent a contractual right to continued employment is provided by applicable law, this Code is part of and is incorporated into any existing employment contract between Duke Energy and its employees.
- Duke Energy employees may be asked periodically to certify compliance with this Code.

This Code, revised in January 2007, supersedes all previous versions of Duke Energy's Code of Business Ethics.

How Our Values Relate to the Code and Our Policies and Procedures

Duke Energy's charter sets forth the values and behaviors that apply to a wide variety of situations, while this Code focuses on what to do when specific ethical issues arise. Put another way, the charter values point us in the right direction, and the Code guides our actions in specific situations.

When a particular standard of behavior does not provide enough detail, the company's policies and procedures can provide additional information. Policies support the standards in the Code, are broad *and enduring in nature and define accountabilities* that may be audited.

Procedures are based on specific business unit needs, while they align with and fully support enterprise policies. Business units are expected to set, manage and control policies and procedures for tasks that do not directly relate to an enterprise risk area.

Reporting Compliance Issues

Duke Energy employees have a responsibility to report violations of this Code, applicable laws or governmental regulations while performing work for the company. Employees are also expected to report any *threat to human health, safety, the environment or the company's assets*.

To report a violation:

- Talk to your supervisor or their manager, your human resources representative, or the ethics and compliance office.
- If you aren't comfortable with any of the reporting options above or if you feel more comfortable reporting anonymously, use the EthicsLine.

The Audit Committee of the board of directors reviews concerns regarding questionable accounting, internal financial controls (including internal accounting controls) and auditing matters reported to the ethics and compliance office, or the EthicsLine, which allows anonymous reporting.

The EthicsLine

The EthicsLine is a worldwide reporting system through which employees can:

- Anonymously report suspected unethical and criminal conduct, or environmental, health and safety concerns.
- Ask questions to resolve ethical dilemmas within the organization without fear of retribution.

You may discuss issues such as:

- Employee misconduct
- Harassment in the workplace
- Environmental, health or safety concerns
- Fraud
- Questionable accounting, internal controls or auditing matters
- Conflicts of interest
- Misuse of company assets
- Regulatory violations
- Any behavior you believe damages Duke Energy's reputation.

Should you choose to identify yourself, your identity will be kept confidential to the extent permissible by law and feasible to permit an investigation.

The service is available to you 24 hours a day, 7 days a week. You may make a toll-free call to the following numbers anytime, day or night:

United States/Canada	800-525-3783
Argentina	0800-666-1698
Brazil	0800-891-4140
El Salvador	800-6203
Peru	0800-52-417
Bolivia	800-10-0397

For countries not listed, follow standard international calling procedures to call the United States/Canada toll-free number.

You may also use www.dukeenergy-ethicsline.com to submit a report or inquiry via the Web.

The EthicsLine is staffed by an independent third party that Duke Energy has retained. When you contact the EthicsLine, you can provide your name or choose to remain anonymous.

You can expect to:

- Be asked to provide information regarding your questions or concerns.
- Be assigned a unique report number.
- Have Duke Energy initiate an investigation into the suspected violation.
- Have the opportunity to follow up with EthicsLine to find out the status or outcome of your report.

Additional Resources

For more information or to report a violation of the Code, you may e-mail Duke Energy's ethics and compliance office at ethicsofficer@duke-energy.com or contact the ethics and compliance office directly.

Retaliation is Prohibited

Duke Energy values clear and open communications, and respects the contributions of all employees. Duke Energy will not retaliate against any employee who in good faith reports suspected unethical conduct, violations of laws, regulations, or company policies. Duke Energy will not terminate employment, demote, transfer to an undesirable assignment or otherwise discriminate against an employee for calling attention to suspected illegal or unethical acts, including providing information related to an investigation. However, Duke Energy reserves the right to discipline any employee who knowingly makes a false accusation or provides false information to the company or others.

Our Responsibilities as Duke Energy Employees

All Duke Energy employees have a responsibility to understand and follow this Code in their business dealings.

Duke Energy employees must:

- Follow the law, this Code and related policies. This responsibility cannot be delegated or assumed by the company or any supervisor.
- When unclear about a situation, stop and ask for guidance before taking action.
- Follow the reporting process if you become aware of a suspected violation. Use the EthicsLine if uncomfortable with other reporting options.
- Complete required training on the Code and periodically certify compliance with the Code.

Additional Leadership Responsibilities

Duke Energy employees in a leadership position (supervisors, managers and senior leaders) have additional responsibilities regarding this Code.

Duke Energy leaders must:

- Set the tone "at the top," by modeling exemplary ethical business conduct.
- Provide required training for employees.
- Answer employee questions about the Code and the company's values, policies and procedures.
- Promptly respond to employee reports of violations or requests for guidance.
- Foster an environment of clear and open communication where employees feel comfortable bringing issues forward.

Consequences of Violating the Standards in the Code

Failure to obey laws and regulations violates this Code and may expose both you and the company to criminal or civil prosecution. Any violation of this Code or Duke Energy ethics and compliance programs may result in corrective action up to and including employment termination. The company may seek civil remedies from an employee and refer criminal misconduct to law enforcement agencies.

Waivers of the Code

All employees are expected to follow the standards set forth in this Code. Any waiver from any part of the Code requires the approval of a group executive. For executive officers, a waiver requires the express approval of Duke Energy's board of directors and will be promptly disclosed to shareholders.

Ethics and Compliance Office

The role of the ethics and compliance office is to prevent and detect illegal or unethical conduct, support Duke Energy's business values and reinforce ethical behavior through the Code and related education and training.

Chief Ethics and Compliance Officer

Julie S. Janson

Ethics

Allen J. Stewart

Compliance

Tom J. Wiles

Ethics and Compliance Managers

Corporate

Sharon A. Brooks

U.S. Franchised Electric and Gas

Jackie J. Lynch

Commercial – U.S.

Jean A. Dieudonne

Commercial – International

Jackie H. Salinas

Accuracy of Books and Records and Reporting of Information

Duke Energy demonstrates accountability in all accounting (including time reporting) and financial reporting practices.

All employees must accept responsibility for the accuracy of written records and public statements so that we can maintain the trust of our stakeholders.

Accuracy of Books and Records and Reporting of Information

Duke Energy's internal controls over financial reporting are consistent with the application of generally accepted accounting principles (GAAP).

They help protect our financial accountability by:

- Assuring management's authorization of financial transactions
- Ensuring that financial transactions are properly recorded and posted
- Satisfying government and other regulatory requirements
- Providing reasonable assurance that we are in compliance with GAAP and applicable tax laws.

Responsibility in Reporting

Duke Energy's results of operations and financial condition are reported using GAAP and in compliance with applicable laws and regulations. Duke Energy prides itself on the transparency of its financial and non-financial reporting. To this end, we provide independent analysis and reporting of, among other things:

- Earnings for common stock shareholders
- Non-financial data (examples include data related to environmental responsibility, key strategic initiatives and community involvement)
- Current and future opportunities, threats, strategic plans and critical success factors
- Revenue recognition
- Market risks associated with commodity prices, credit exposure and interest rates
- Commitment to our company's values.

It is critical to Duke Energy's reputation that information provided to management and the public is accurate, fair, complete, objective, understandable, timely and relevant. This applies to both financial and non-financial data, and includes information in public communications as well as in documents filed with regulators. Misstating information can carry serious criminal and civil fines and penalties for Duke Energy and personal criminal liability for employees.

Duke Energy applies the highest ethical standards in its financial and non-financial reporting and follows all applicable Securities and Exchange Commission (SEC), New York Stock Exchange, Sarbanes-Oxley, various regulatory commissions and other standards and rules regarding financial and non-financial reporting.

Employees should report immediately if they are pressured, threatened or aware of instances such as:

- Use of questionable accounting techniques
- Management of earnings
- Manipulation of results to meet targets for incentive plans.

Our Responsibilities

Duke Energy employees are expected to be truthful and accurate in their accounting and time reporting practices. Financial professionals are expected to stay up-to-date with all financial reporting regulations related to their job functions, and to report financial statement items in a manner consistent with applicable laws and GAAP. All Duke Energy employees involved in public reporting or communications are expected to produce disclosures that are full, fair, accurate, timely and understandable.

Duke Energy employees must:

- Maintain books, accounts and records according to GAAP, using sufficient detail to reflect Duke Energy transactions accurately and fairly
- Record transactions in a timely manner
- Report if financial statements are believed to be misstated or manipulated.

Employees must not:

- Manipulate financial accounts, records or reports
- Maintain off-the-book accounts to facilitate questionable or illegal payments
- Take any action, or cause anyone else to take any action, to influence, coerce, manipulate or mislead auditors for the purpose of making financial statements misleading.

Duke Energy's value is maximized by the complementary capabilities of its affiliates.

Duke Energy is subject to regulation by various energy regulatory commissions, including federal, certain state, and provincial commissions. These commissions have specific codes and standards of conduct (Affiliate Rules) that address matters such as undue discrimination and preferential treatment between regulated companies and their affiliates.

The purpose of these Affiliate Rules is to prevent the regulated businesses from subsidizing the activities of their affiliates, and to prevent the affiliates from gaining an unfair advantage because of their relationship with the regulated businesses.

Generally the Affiliate Rules include:

- Physical and organizational separation requirements between the regulated business units and certain affiliates
- Restrictions on sharing directors, officers, and employees
- Prohibitions on the sharing of transportation or market information
- Restrictions on the disclosure of customer information
- Requirements for equal access to regulated service and prohibition against undue discrimination in providing regulated service
- Restrictions on transactions between regulated business units and affiliates, such as transfer pricing provisions, prohibitions on certain financial transactions, and regulatory approval and reporting requirements
- Terms for sharing certain services and resources
- Restrictions on certain financial transactions between regulated business units and affiliates
- Restrictions on making referrals to or endorsements of affiliates.

Compliance with both the letter and spirit of the Affiliate Rules demonstrates integrity.

Our Responsibilities

Duke Energy employees involved in the following activities for or with a regulated business unit are expected to understand and comply with the Affiliate Rules.

- Transferring goods or services
- Sharing customer, market or transportation information
- Providing regulated/tariffed services to an affiliate
- Marketing activities, including referrals or endorsements
- Sharing employees, services, or resources.

Approval of Business Transactions, Contract Authorization, Delegation of Authority and Purchasing Control

Duke Energy's contractual agreements govern our business relationships and ensure that Duke Energy's intellectual property, business agreements and confidential information are protected.

Because the laws governing contracts are numerous and complicated, policies and procedures are in place to ensure that any contract entered into on behalf of Duke Energy has the appropriate level of review and approval.

Our Responsibilities

Duke Energy employees who enter into contracts on Duke Energy's behalf must have proper authorization, including legal review where applicable, prior to the execution of any such contract.

Duke Energy employees must:

- Know what types of contracts we are authorized to execute on behalf of the company, if any.
- Comply with Duke Energy policies and procedures for entering into contracts.
- Where required by policy, make sure that a contract agent reviews and approves any contract.

Employees must not:

- Enter into any contract on behalf of Duke Energy without proper review and authorization.

Brand Management and Intellectual Property

Duke Energy's brand identity and intellectual property are among its most valuable assets. The loss of or injury to such assets could have a serious financial impact on the company. Violation of the intellectual property rights of others breaches our value of integrity, and may subject both the employee and Duke Energy to substantial liability, including criminal penalties.

Brand Management and Intellectual Property

Brand Management and Intellectual Property

Employees demonstrate accountability by consistently and appropriately protecting the intellectual property rights of Duke Energy and honoring the intellectual property rights of third parties (e.g., copyrights, trademarks, service marks and patents). Employees must also be accurate and truthful in communicating information about Duke Energy products and services. This practice protects the Duke Energy brand and shows respect for our customers and shareholders.

Our Responsibilities

Duke Energy employees are expected to protect the intellectual property rights of Duke Energy, including the Duke Energy name and logo, taglines, inventions, processes and innovations and to respect those of all third parties.

Duke Energy employees must:

- Follow the Brand Guidelines when creating materials using the Duke Energy name, mark or logo.
- Understand that any intellectual property created by a Duke Energy employee in the performance of his or her job responsibilities belongs to Duke Energy and that innovations must be shared with the company to ensure adequate protection.
- Report any unauthorized use of Duke Energy's copyrights, patents, service marks or trademarks.
- Respect all intellectual property that Duke Energy has received from third parties under confidentiality or license agreements.
- Obtain permission to use a third party's trademark, service mark or other intellectual property.
- Use inventions patented by third parties only within the terms of a license agreement.
- Be accurate and truthful in communication of information about Duke Energy products and services.
- Adhere to established brand standards when producing any materials, including advertising, publications, on-line materials and other items using the Duke Energy or subsidiary companies' names or logos.

Employees must not:

- Make copies of copyright-protected materials until Duke Energy has obtained permission from the copyright holder or determined that limited copying is legally permitted.
- Copy or distribute software or related documentation without first ensuring that it is permitted by the licensing agreement.
- Use company letterhead, company e-mail or reference to our business address or title when expressing a personal view in a public forum.

Q & A

Q: What is intellectual property?

A: "Intellectual property" denotes the legal rights that may be secured in virtually any creation of the human mind or intellect (for example, an idea, invention, machine, device, process, program, software, drawings, blueprints, name, logo or slogan) or that may be legally protectible (such as a patent, copyright, trademark, service mark, and/or trade secret).

Q: What types of protections are available for intellectual property?

A: The type of protection available depends on the type of intellectual property involved.

- **Copyrights** protect original and tangible works of authorship such as books, brochures, reports, proposals, advertisements and other literary works, as well as works of art, drawings, photographs, videos, maps, charts, musical works, audiotapes and software. A copyright prohibits unauthorized copying or downloading of these works.
- **Patents** protect new and non-obvious inventions, such as machines, apparatus, devices, manufacturing components, chemical compositions, processes, methods and ornamental designs. A patent permits inventors and patent holders to exclude others from making, using or selling the same invention.
- **Trademarks and service marks** are words, phrases, symbols and designs which identify and distinguish the source of goods or services from those of others. Registration of a trademark or service mark restricts its use by others. In some circumstances, a trademark or service mark may be protected from such use without registration.
- **Trade secrets** are any information used by a business such as formulas, processes, devices and customer lists that have economic value because they are not generally known or easily discovered by observation or examination, and for which reasonable efforts have been made to maintain secrecy.

Duke Energy maintains the highest level of integrity when dealing with government officials and members of the private sector. Giving anything of value to such individuals may raise questions about Duke Energy's integrity. We demonstrate accountability by refusing to give gifts or make payments that are intended to influence, or could appear to influence, business decisions.

Bribery laws prohibit companies from directly or indirectly promising, offering or making payment of money or anything of value to anyone (including a government official, an agent or employee of a political party, labor organization or business entity, or a political candidate) with the intent to induce favorable business treatment or to improperly affect business or government decisions.

Decisions about gift giving must be carefully evaluated. In general, Duke Energy does not consider ordinary and reasonable business entertainment, or gifts of nominal value that are customary and legal in the local market, to be improper. We recognize that in certain cultures, gifts of a more substantial nature may be customary and expected.

However, we also recognize that the giving of improper gifts or payments can undermine customer relationships, damage our reputation and result in legal penalties. Employees must refrain from giving gifts or making payments that are intended to influence, or could appear to influence, business decisions.

Note: These laws and regulations are complex and can vary from country to country, and even within a country (e.g., local versus national officials) and from state to state. This Code does not necessarily take into account all local legal requirements and you should be aware that more restrictive local laws take precedence over this Code.

Our Responsibilities

Duke Energy employees are expected to be extremely careful when giving anything of value to third parties to avoid giving the impression that we are trying to influence another person's business decision.

Duke Energy employees must:

- Obtain prior approval from management before making a decision about whether or not to offer a gift that is of more than nominal value in the local market.
- Comply with local laws and regulations governing gifts and meals given to public officials and employees of governmental agencies.
- Understand that it is generally not acceptable to give gifts or gratuities to any federal, state or local government employees.

Employees must not:

- Give gifts that are intended to influence, or appear to influence, business decisions.
- Agree to provide any payment or other kickback in return for favorable treatment for either the employee or Duke Energy.

Q & A

Q: How do I know whether a gift or payment is improper or not?

A: A gift or payment is improper if it is used to influence, or appears to influence, a business decision. If you have questions as to whether a gift or payment could be considered improper, seek guidance before taking any action.

- Ensure that business entertainment provided to third parties is reasonable and customary.
- Offer only gifts that are considered customary, reasonable, legal and of nominal value in the local market.

Business Courtesies

The giving and receiving of gifts or entertainment can be important and appropriate ways of building and maintaining proper business relationships. However, in order to maintain trust and integrity with our business partners, it is important to be prudent when accepting business courtesies.

Our Responsibilities

Duke Energy employees are expected to act with integrity when deciding whether to accept a business courtesy (i.e., anything of value for which the recipient does not pay fair market value, including gifts, services and entertainment).

Employees who are buyers, who influence buying, or who are involved in procurement transactions in any way (e.g., determining specifications, evaluating bids, choosing vendors or suppliers) must be especially careful when deciding whether to accept a business courtesy.

Duke Energy employees must:

- Accept only personal gifts that would be considered common business courtesies and for which we would reasonably expect to give something similar in return in the normal course of business.
- Maintain a written list of business courtesies received.
- Obtain written supervisory approval prior to accepting a business courtesy of significant or unique value.
- Report gifts received from representatives of foreign countries.

Employees must not:

- Accept or request any business courtesy that might be intended to influence, or appears to influence, a business decision.

For more information,
contact your supervisor
or the Duke Energy Ethics
Department at 1-800-448-2222

Confidential Proprietary Personal Information

Duke Energy uses confidential, proprietary and personal information ("sensitive information") in the course of doing business. This includes the company's sensitive information, as well as that of third parties.

Duke Energy complies with laws protecting sensitive information from unlawful disclosure. Failure to comply with these laws and standards can cause irreparable damage to the Duke Energy brand and can result in legal penalties, adverse regulatory actions and restrictions. It can also prohibit Duke Energy from conducting business within certain countries.

Our Responsibilities

Duke Energy employees are expected to protect Duke Energy and third-party sensitive information from unlawful disclosure, and to ensure that such information is handled properly throughout the organization.

Duke Energy employees must:

- Use sensitive information for business purposes only.
- Use business unit procedures for labeling and handling sensitive information.
- Share sensitive information only with appropriate parties both within and outside of Duke Energy.
- Use health information solely for the administration of health plans.
- Make sure that use of sensitive information is consistent with our policies, affiliate rules, contractual obligations and applicable laws.

Employees must not:

- Disclose sensitive information to individuals (including other employees) who do not have a business need to know the information.
- Help a third party gain access to sensitive information without authorization.

Q & A

Q: What is confidential or proprietary information?

A: Confidential or proprietary information is any information that provides a third party with some kind of business advantage and is not generally known to the public. This includes, but is not limited to:

- Inventions
- Operational information
- Strategic information about current and/or future business plans
- Supplier's pricing and specifications
- Research
- Records, such as financial, customer or personnel records
- Information designated as confidential or proprietary.

Q: What type of information would be considered personal information?

A: Personal information includes, but is not limited to:

- a. health information,
- b. social security number or national ID (or equivalent),
- c. consumer report information,
- d. a natural person's first name or first initial and last name in combination with
 - social security or employer taxpayer ID numbers
 - drivers license, state identification card, or passport numbers
 - banking information
 - credit card numbers
 - PIN codes
 - electronic ID numbers
 - private electronic mail names or addresses
 - private phone number
 - internet account numbers
 - identification names
 - digital signatures
 - any information that can be used to access a person's financial resources
 - biometric data
 - fingerprints
 - passwords
 - parent's legal surname prior to marriage, or
- e. any other information protected by Duke Energy's Policies, Standards, Procedures or applicable laws.

Duke Energy depends on its employees to act in Duke Energy's best interests. Sometimes, however, there are situations where an employee might be tempted to act otherwise or find oneself in a situation where a conflict of interest may arise.

A conflict of interest exists any time an employee faces a choice between what is in his or her personal interest (financial or otherwise) and the interests of Duke Energy. When a conflict of interest arises, others may question our integrity. Therefore, employees are accountable for acting in Duke Energy's best interests and carefully avoiding even the appearance of impropriety. If you find yourself in a position where your objectivity may be questioned because of individual interests or family or personal relationships, notify your supervisor immediately.

Conflicts of interest may arise when:

- You or someone with a close relationship to you has an interest in an entity with which Duke Energy does business.
- You or someone with a close relationship to you receives improper personal benefits as a result of your position at Duke Energy.
- Other employment (including self-employment) or serving as an officer, director, partner or consultant of another organization interferes with your ability to act in the best interests of Duke Energy, requires you to use or disclose sensitive information about Duke Energy, is conducted during or conflicts with an employee's normal work times, or creates the appearance of impropriety.
- You or someone with a close relationship to you receives a loan or other extension of credit or credit support (such as a guaranty) from Duke Energy. Duke Energy is prohibited by law from extending or arranging for the extension of personal loans to executive officers.

Our Responsibilities

Duke Energy employees owe a duty of loyalty to the company and are expected to act in Duke Energy's best interests and avoid conflicts of interest and/or the appearance of a conflict of interest.

Duke Energy employees must:

- Be able to identify potential conflicts of interest when they arise.
- Notify supervision immediately when we are in a position where our objectivity may be questioned.
- Make certain that any second jobs, financial interests, or management interests in another entity do not cause a conflict of interest or have a negative impact on the confidence the public has in Duke Energy.
- Get approval from a group executive when an entity in which you or a family member owns or acquires an interest that is greater than 5 percent seeks to do business with Duke Energy, and:
 - The entity makes sales of goods or services to Duke Energy exceeding \$1,000 annually, or
 - You help make Duke Energy purchasing decisions for those goods or services, or

- You have a role in making sure the entity gets paid for the goods and services it provides.

- Get approval from a group executive to:

- Perform work or services for any person or organization that competes with or seeks to do business with Duke Energy
- Take a position on the board of directors of a for-profit entity that has regular business dealings with Duke Energy. Prior to taking any such board position, employees are required to consult with their supervisor before seeking approval from a group executive who shall notify the General Counsel.

- Always keep Duke Energy's interests uppermost even if the above criteria do not apply to a situation.

Employees must not:

- Take for personal gain an opportunity available to Duke Energy that is discovered through the use of company assets, information or position.
- Interface with Duke Energy's contractors, vendors, suppliers, customers or others in a manner which creates even the appearance of a conflict of interest. When in doubt, check with your supervisor.

Q & A

Q: I've been asked to sit on the board of directors of a non-profit organization. Do I need my supervisor's approval to do this?

A: No, but you should still make your supervisor aware of the situation. Also, you should excuse yourself from any discussions or votes on any matter involving Duke Energy, to avoid the appearance of improper behavior or a conflict of interest.

Q: I am considering a temporary second job for extra money during the holiday season. Is this okay?

A: Yes, but remember your first responsibility is to our company. You must be able to fulfill all your responsibilities including overtime if that is a requirement. The job must not be with a competitor or vendor/supplier.

Q: An employee's spouse owns a company which would like to bid on a contract exceeding \$1,000 annually. The employee discloses the ownership to their supervisor. Is this a conflict of interest?

A: No. The employee was honest about their relationship and removed themselves from the purchasing process. If the company owned by the employee's spouse is chosen as a vendor, the employee cannot be involved in supervising the work or processing payments for the work.

Protecting and responsibly managing natural resources demonstrates stewardship and is critical to the quality of life in the communities we serve, the environment and Duke Energy's long-term business success. The health and safety of co-workers, contractors, customers and communities is the responsibility of all Duke Energy employees.

Duke Energy accepts responsibility in these areas by systematically managing risks, setting goals, measuring and reporting performance, and conducting assessments to evaluate and improve:

- Compliance with environmental, health and safety laws, regulations and other requirements such as permits.
- Systematic implementation of Duke Energy environmental, health and safety (EHS) policies and standards.

Our Responsibilities

Duke Energy employees are expected to abide by all company policies and procedures in the areas of environment, health and safety.

Duke Energy employees must:

- Comply with all applicable environmental, health and safety laws, regulations and other requirements, such as those dealing with:
 - Employee and public safety and health
 - Contractor EHS management
 - Work conditions
 - Pollution control and management
 - Waste management
 - Infrastructure safety
- Follow work instructions and procedures on environmental, health and safety laws, regulations and risk management, and apply training to protect others, the environment and yourself.
- Promptly report all environmental, health and safety incidents, including significant near misses.
- Report to work fit to perform our duties and be free of the effects of alcohol or drugs at work.
- Demonstrate a personal commitment to continuous safety improvement and look out for the safety of others.
- Understand and incorporate our EHS responsibilities into daily work activities.

Employees must not:

- Threaten or injure other people.
- Handle a weapon in any manner while on Duke Energy premises or while engaged in Duke Energy business, unless authorized to do so.
- Use, possess, sell or transfer illegal drugs, illegal narcotics or alcohol on the job.

Q & A

Q: How do I prepare for a workplace emergency?

A: A workplace emergency may be an injury accident, a severe illness, a chemical spill, a fire, flood or storm, an assault or other incident.

- Find out who to contact to get help in the event of an emergency. Emergency numbers should be posted at each telephone. Local personnel may be appointed and trained to respond to emergencies.
- Know the address of your work location in case you have to call for emergency help.
- Know the location of emergency equipment including fire extinguishers, break-glass alarms, first aid kits, safety showers, eye wash stations, chemical spill control materials and other equipment.
- Know the evacuation route from your work area. Be aware of at least two exits and know where you are supposed to assemble with co-workers outside the building.

At the time of the audit, the following information was obtained from the company's records:

Duke Energy's Policy on Diversity

Duke Energy seeks and values diversity. The dignity of each person is respected, and everyone's contributions are recognized. We expect Duke Energy employees to act with mutual respect and cooperation toward one another. We do not tolerate discrimination in the workplace.

We comply with laws concerning discrimination and equal opportunity that specifically prohibit discrimination on the basis of certain differences. We will recruit, select, train and compensate based on merit, experience and other work-related criteria.

Our Responsibilities

Duke Energy employees are expected to treat others with respect on the job and comply with equal employment opportunity laws, including those related to discrimination and harassment.

Duke Energy employees must not:

- Use any differences protected by law as a factor in hiring, firing or promotion decisions.
- Use any differences protected by law when determining terms or conditions of employment, such as work assignments, employee development opportunities, vacation or overtime.
- Retaliate against a person who makes a complaint of discrimination in good faith; reports suspected unethical conduct, violations of laws, regulations, or company policies; or participates in an investigation.

Q & A

Q: What are the differences that are protected by law or Duke Energy policy?

A: Differences protected by law or Duke Energy policy include:

- Race
- Gender
- Religion
- Color
- National origin
- Ethnicity
- Citizenship
- Age
- Disability
- Sexual orientation
- Veteran status
- Marital status

Q: We posted a job for an entry level position expecting to hire a recent graduate and were surprised when several older workers applied. Is it okay to hire a younger person, the way we planned?

A: It is against the law to discriminate on the basis of an individual's age. Interview all the qualified candidates, and hire the best person for the job, regardless of their age. There must be a valid reason, unrelated to age, for all employment decisions.

Duke Energy succeeds in the marketplace by offering competitively priced, quality products and services. As a company, we support full and fair competition by complying with antitrust laws prohibiting activities that reduce competition and restrict trade.

Our Responsibilities

All Duke Energy employees must deal fairly with the company's customers, suppliers and competitors. Employees are expected to act with integrity by maintaining Duke Energy's independent judgment in the pricing, marketing, purchasing and selling of all products and services.

Duke Energy employees must:

- Understand how fair competition laws apply to us and our business, and learn how to avoid engaging in potentially unlawful behavior.
- Leave any meeting or informal gathering immediately and report any discussions with competitors that could be considered anti-competitive.

Employees must not:

- Improperly attempt to prevent an entity from competing with Duke Energy or from entering the markets in which Duke Energy participates.
- Suggest to suppliers that our purchasing decisions depend on their use of Duke Energy's goods or services, or that failing to do business with a Duke Energy subsidiary or affiliate could jeopardize business with another Duke Energy entity.
- Make inaccurate or misleading statements about competitors, suppliers, customers or their offerings.

Q & A

Q: What types of behavior could be considered anti-competitive and a violation of antitrust laws?

A: The following behavior could be considered anti-competitive and a violation of antitrust laws:

- Discussions or agreements with a competitor regarding pricing, territories, market share or intent to bid (or not bid) for particular business.
- Providing inconsistent information about a request for quotation/proposal to competing bidders.
- Entering into an exclusive dealing arrangement or understanding in which you agree to work only with certain suppliers or distributors in a particular market where Duke Energy has market power.
- Taking advantage of market power to eliminate or threaten a competitor or potential competitor in that or another market.
- Suggesting that a product or commodity must be resold at or within a particular price or range of prices.
- Participating in actions by any trade association or other industry group regarding membership restrictions, sharing information (including benchmarking) or desired governmental actions. Participating in such actions could be anti-competitive and should be performed under the proper guidelines.

Fraud, or the potential of fraud, compromises the integrity of our financial reporting system and the safety of our assets, both physical and intellectual.

Fraud is the act of intentionally misrepresenting or concealing facts that cause another party to act or not act in reliance on the misrepresentation or concealment. Fraud may be committed by one person or by two or more (collusion) and may be committed by internal and/or external parties (vendors, customers, etc.).

Our Responsibilities

All employees must understand what constitutes fraud and refrain from engaging in fraudulent activity including collusive fraud which bypasses existing controls. Moreover, employees are responsible for reporting all instances of potential fraud.

Duke Energy employees must:

- Understand what constitutes fraud and refrain from engaging in fraudulent activity.
- Report all instances of potential fraud.

Employees must not:

- Engage in fraudulent activity including collusive fraud which bypasses existing controls.

Q & A

Q: What are some examples of fraud?

A: Some examples of fraud may include:

- Fraudulent financial reporting
 - Intentional reporting of false expense or revenue data which improperly states amounts reported on publicly filed financial statements.
 - Intentional misstatement of price data reported for price index purposes.
 - Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.
 - Intentional misstatement of accounting estimates and judgments.

- Misappropriation of assets

- Submitting an inaccurate expense report for personal expenses.
- Excessive personal use of company supplies or assets.
- Fraudulent financial reporting (see above) for purposes of increasing personal gain through incentive measure calculations.
- Improper time reporting with intent to defraud.

- Corruption and other fraud related malfeasance

- Overriding existing controls, rendering the controls ineffective.
- Falsifying personal credentials.
- Tampering with documents.

Q: What are certain examples of fraud in the energy market?

A: Market Manipulation: Any action, transaction, or conspiracy for the purpose of impairing, obstructing or defeating a well-functioning market, including such actions as:

- Wash trades: Any pair of offsetting trades entered into simultaneously or by pre-arrangement with the same counterparty, for the same product, involving no economic risk and no net change in beneficial ownership.
- Collusion with another party to manipulate market prices, market conditions or market rules.
- Earnings Manipulation: Transactions made in violation of accounting rules (GAAP in U.S.) in order to beneficially represent the firm's financial performance, usually through the artificial inflation of revenues or deflation of expenses.
- False Reporting: Knowingly submitting false or misleading information, or omitting material information, to Index Price Publishers or governing regulators.

Duke Energy is committed to maintaining a positive work environment where all employees are treated with dignity and respect. Harassment of any kind in the workplace is not tolerated.

We respect the dignity of every person and honor our differences. It is important that employees speak up if they witness harassment. Harassment generally means offensive conduct that is severe and pervasive and singles out an employee to the detriment or objection of that employee because of a difference protected by law or by Duke Energy policy such as race, gender, sexual orientation, religion, national origin, ethnicity, citizenship, age, marital status, disability or veteran status. Harassment covers a wide range of conduct, from direct requests of a sexual nature to situations where offensive behavior (e.g., insults, offensive jokes or slurs, offensive material in the workplace) results in a hostile work environment.

Our Responsibilities

Duke Energy employees are expected to do their part to ensure a safe and secure workplace in which employees can perform their duties without fear of harassment.

Duke Energy employees must:

- Treat all people with respect.
- Report all incidents of harassment.

Employees must not:

- Harass anyone.

Reports of harassment will be promptly and thoroughly investigated in a confidential manner. Duke Energy will take immediate and appropriate action if harassment is determined to have occurred.

Q & A

Q: What is considered offensive material in the workplace?

A: Possession of any text, communications, software, images, sounds, data or other information that facilitates improper conduct (such as involvement with illegal drugs, illegal materials or illegal weapons) or that is threatening, unlawful, abusive, harassing, defamatory, libelous, deceptive, fraudulent or invasive of another's privacy, or that contains explicit or graphic descriptions or accounts of sexual acts.

Information Security

Duke Energy's information systems support internal and external business activities. Because these resources connect us with the outside world, there is a risk of attack or exploitation. Duke Energy is committed to protecting these resources from such intrusions.

All Duke Energy employees are responsible for information security. We must be aware of information security processes and policies, and take steps to reduce the risk of security breaches.

Our Responsibilities

Duke Energy expects employees to manage and use information and information systems appropriately.

Duke Energy employees must:

- Follow all policies and procedures related to the protection of information and information resources, including network access and appropriate use of the Internet and e-mail.
- Report any unusual activities to a local Computer Incident Response Team representative as quickly as possible to facilitate a coordinated response.

Employees must not:

- Let personal use of information system technologies interfere with Duke Energy business activities or incur unnecessary cost.
- Let business or non-business use of information and information resources violate Duke Energy policies or legal requirements.

Note that Duke Energy randomly monitors information technologies it provides, including the Internet and e-mail, for misuse or abuse, except where prohibited by law.

For more information, visit
www.duke-energy.com/ethics
 or contact your local
 Compliance Officer.

Duke Energy's success in the marketplace requires that we maintain the trust and confidence of the investment community. Duke Energy employees must act with integrity when trading public securities, adhering to all applicable laws.

Insider trading may occur when you:

- Know material non-public information about Duke Energy or any company with whom Duke Energy has a business relationship, and
- Buy, sell, short-sell or otherwise trade a company's securities, such as stocks, bonds or options while in possession of that information or tell others about it before it is made public.

"Material non-public information" is information that would affect a reasonable investor's decision on whether or not to invest in a company's securities.

Examples include, but are not limited to:

- Plans to issue securities
- Sharp changes in earnings patterns
- Changes in dividend rates
- Changes in key management personnel
- Mergers and acquisitions
- Important regulatory actions affecting the company.

Circumstances suggesting the possibility of insider trading may result in an investigation by a stock exchange or by governmental authorities. Such an investigation could damage Duke Energy's brand and reputation and result in liabilities or penalties, including criminal charges and/or fines against the employee.

Our Responsibilities

Duke Energy employees are expected to be very careful when trading securities, even the Duke Energy securities in our retirement accounts, to make sure that trades are not made while in possession of material non-public information.

Duke Energy employees must not:

- Trade the securities of Duke Energy while in possession of material non-public information about Duke Energy or any affiliate or subsidiary.
- Trade the securities of Duke Energy or those of its suppliers, customers or other companies with whom Duke Energy has a business relationship while in possession of material non-public information relating to them.

- Trade the securities of Duke Energy (or of an applicable outside company) until the third business day after any material non-public information of which we are aware has been made available to the public. This includes transfers into and out of the Duke Energy stock fund in our savings plans, and changes in patterns involving purchases of Duke Energy securities within the plans. (Regularly scheduled monthly purchases of Duke Energy securities within plans are not prohibited.)
- Give material non-public information to anyone not authorized to have that information, including other Duke Energy employees. If that information is subsequently used by the person to trade on securities, it is considered illegal "tipping" and is a violation of insider trading laws.

Even a casual remark to a friend or family member may find its way to a broker and eventually to the entire financial community, thereby requiring the company to make a premature or unplanned public announcement.

Q & A

Q: I am a financial professional and often talk about business with my spouse. That's not a problem, is it? I only occasionally reveal non-public information and my spouse knows not to tell anyone else.

A: This is a problem that could be costly for both you and the company. If your spouse were ever to use material non-public information given by you to buy or sell securities, both of you could be prosecuted for illegal insider trading. You should not give any non-public information to your spouse or to others.

International Ethics and Compliance

Duke Energy maintains the highest standards of integrity when conducting business in the United States and abroad. We build relationships based on trust and respect with our customers, suppliers and community stakeholders.

Duke Energy's success in global business transactions depends on our compliance with country-specific constraints and conditions, and sensitivity to local customs. The laws, regulations and conventions governing our international business relationships vary from country to country. It is Duke Energy's policy to comply not only with the letter of these laws but also with their spirit. Duke Energy is also responsible for following certain U.S. laws when doing business outside of the United States. Since violations can result in substantial fines, imprisonment and severe restrictions on the company's ability to do business, it is essential that Duke Energy employees follow them. If local law conflicts with applicable U.S. law, or if in doubt for any reason, ask for guidance before taking any action.

Our Responsibilities

Duke Energy employees who conduct business outside of the United States are expected to be familiar with the laws and regulations of each country in which they conduct business, as well as the following laws and regulations:

- The anti-bribery provisions of the Foreign Corrupt Practices Act (FCPA) and the anti-bribery legislation of the Organization for Economic Cooperation and Development (OECD) Convention
- U.S. anti-boycott laws
- U.S. Treasury embargo sanctions
- U.S. export control restrictions.

Duke Energy employees must:

- Report any FCPA and OECD Convention concerns.
- Seek advice in advance from legal counsel regarding whether a payment is legal and legitimate.
- Record all payments and transactions accurately and fairly.
- Report all requests for boycott support or boycott-related information.
- Obtain technical and legal guidance about export control restrictions when exporting sensitive goods or technology.
- Seek advice regarding any sensitive political issues in countries where Duke Energy is doing or considering doing business.
- Get the training needed to understand laws and regulations governing international transactions.

Employees must not:

- Make payments or give business courtesies directly or indirectly (such as payments to agents, sales

representatives or other third parties) if there is reason to believe they will be used illegally. This includes corporate and personal funds.

- Violate anti-boycott laws, governmental embargoes or export control restrictions or prohibitions.

Related Information

The following are summaries of the key U.S. laws and regulations governing international business. Because most are based on U.S. foreign policy and national security goals, they are subject to change. It is your responsibility to stay updated on changes in these laws.

FCPA and the OECD Convention Legislation

The FCPA and OECD Convention legislation make it a crime to promise, offer or give anything of value to a government official or a political party or candidate in order to obtain or retain business or gain any improper advantage. The FCPA covers all countries in which Duke Energy currently has operations, and the laws implementing the OECD Convention have been ratified by many of those countries.

Anti-boycott Laws

Anti-boycott laws make it illegal to cooperate in any boycotts between foreign countries if the boycotts are not sanctioned by U.S. law.

Treasury Embargo Sanctions

The Treasury Department's Office of Foreign Assets Control prohibits U.S. companies and their foreign subsidiaries from doing business with certain countries, agencies and individuals. Regulations vary depending on the country and the type of transaction.

Export Control Restrictions

To prevent sensitive goods, technology and software from falling into the wrong hands, exports of items sensitive to certain countries and individuals may be restricted or prohibited. These restrictions and prohibitions may also apply to transfers between Duke Energy and its foreign subsidiaries.

*Duke Energy and its business units
are subject to various external
laws, rules and regulations.*

Violations of these rules expose Duke Energy and its employees to potential monetary penalties, loss of the ability to execute in the marketplace, reputational damage, loss of shareholder value, and civil and criminal charges.

Our Responsibilities

Duke Energy employees are required to comply with the letter and intent of all applicable laws, rules and regulations, and to act with integrity and in a principled and ethical manner.

Duke Energy employees must:

- Be aware of the laws, rules and regulations that affect your daily job responsibilities and understand how they apply to your work.
- Receive training on applicable laws, rules and regulations.
- Ask questions and gain clarification on the impact of applicable rules prior to acting.
- Communicate any ethics and compliance concerns to your supervisor, or their manager, your human resources representative, or the ethics and compliance office. If you desire anonymity, contact the EthicsLine at 1-800-525-3783 or www.dukeenergy-ethicsline.com.

Additional leadership responsibilities:

- Research questions and issues on applicable laws and regulations and provide guidance to employees.
- Educate employees on the meaning of the applicable laws and regulations and their effect on work activities.
- Monitor work activities for on-going compliance.
- Report any potential acts of non-compliance.
- Review the organization's compliance risk and the effectiveness of procedures in place to mitigate that risk.
- Provide the proper incentives to ensure on-going compliance.

Media and Public Relations

Duke Energy employs professionals who are trained and qualified to release information to the public.

Unauthorized and inappropriate releases of information to the public can result in violation of SEC full disclosure laws, stakeholder confusion, and damage to Duke Energy's competitive position, brand, and reputation. Only trained and authorized corporate or business unit spokespersons should provide information to the media about Duke Energy.

There are also very specific rules regarding the reporting of information to government agencies or elected officials. Only trained and qualified professionals should handle requests for information from public agencies or individuals. However, all employees are expected to cooperate fully and truthfully with regulatory and governmental investigations and proceedings, and not obstruct other employees from doing so.

Additionally, employees planning to provide information about Duke Energy to public audiences through speeches, presentations, interviews, panel discussions, articles, papers, surveys and the like should obtain prior management approval and notify communications staff.

Our Responsibilities

Duke Energy employees must:

- Forward requests for information to the appropriate department below, if communicating outside of Duke Energy is not part of your assigned responsibilities.
- Inform your supervisor immediately about any request from a government agency or individual that is outside the scope of your routine job responsibilities.
- Report any violations of law or this Code that may warrant disclosure to appropriate government authorities.
- If your personal cooperation has been requested (such as by subpoena), cooperate fully and truthfully with regulatory and governmental investigations. Failure to cooperate will result in corrective action up to and including employment termination.

Duke Energy employees planning to provide information about Duke Energy to public audiences through speeches, presentations, interviews, panel discussions, articles, papers, surveys and the like must:

- Get management approval before proceeding with public communications.
- Provide adequate advance notice to the appropriate communications staff, who will advise on the opportunity. Included are situations where employees are speaking on behalf of an industry task-force or committee.
- Refrain from offering opinions or answering questions beyond your area of expertise.

Source	Refer to
Financial community	Investor Relations
News or trade media	Corporate Communications
Regulatory agencies	Legal Department
Elected officials	Governmental Affairs
Person seeking information about a current or former Duke Energy employee	Human Resources

For more information about this Code of Business Ethics, visit www.duke-energy.com/ethics or call 1-800-448-2444.

Duke Energy strongly supports individual participation in the political process in our communities, including involvement with political parties, candidates or issues, and participation by eligible employees in Duke Energy's political action committee, DUKEPAC. Such activities demonstrate stewardship, by showing that we care about the communities in which we live and work.

However, because laws and regulations governing political activities and contributions are complex and diverse, employees must not undertake such activities on behalf of Duke Energy or on company time without the prior approval of Duke Energy's governmental affairs department.

Duke Energy provides information on its political activities and shares its viewpoint with employees, customers and the general public. We respect anyone's right to disagree with the official company positions regarding political preferences.

Our Responsibilities

Duke Energy employees are expected to follow these guidelines to avoid violating laws and regulations concerning political activities and contributions.

Duke Energy employees must:

- Make clear that political statements you make are your individual, personal views and not those of Duke Energy.
- Get approval from governmental affairs before performing political activities on company time or using company resources, including photocopy machines, computers, telephones and other forms of company property.
- Notify your supervisor when making plans to campaign for or serve in public office.
- Avoid conflicts of interest when serving in public office by excusing yourself from any political matters involving Duke Energy.

Records Management

Duke Energy creates, delivers and exchanges information in many ways. We must demonstrate accountability by handling records properly.

Employees manage a variety of business records in many forms, including but not limited to:

- Recorded conversations
- Presentations
- Audio conferences
- E-mails
- Paper documents
- Engineering drawings
- Videos
- Databases
- Instant Messaging

Information integrity, information privacy, information standard setting and information security issues require on-going attention.

Duke Energy's records must be retained and disposed of in accordance with Duke Energy Records Retention Rules, which include applicable laws and regulations.

Duke Energy's integrity can be seriously questioned if records are not managed appropriately, retained for the appropriate length of time or are not disposed of properly. Failure to appropriately manage records places us at risk for possible penalties, fines and other sanctions. It could also put the company at a serious disadvantage in any litigation.

Our Responsibilities

Duke Energy employees must:

- Manage our business records in accordance with the Record Management Policy and Standard, regardless of medium or characteristics.

Employees must not:

- Knowingly destroy, alter or falsify records in order to impede any pending or potential internal, civil, or governmental investigation or proceeding.

Q & A

Q: What is the definition of a "record"?

A: A record is recorded information created or received, regardless of medium or characteristics that is evidence of the company's operations, and has value requiring its retention for a specific period of time.

Duke Energy achieves its commercial objectives by executing transactions in the energy commodity markets of the United States and internationally. Participation in these markets exposes Duke Energy to credit and market risk.

Duke Energy has established risk management policies and procedures to guide its personnel in mitigating the potential negative financial impacts posed by these risks and to build a portfolio of positions that collectively meet Duke Energy's desired risk reward profile. By following these policies and procedures, Duke Energy personnel assure its shareholders, counterparties, rating agencies and regulators that transactions are being executed consistently to meet Duke Energy's risk tolerance.

Our Responsibilities

Duke Energy employees who execute, and who support the execution of, Duke Energy's commercial activities are expected to follow established risk management processes, policies and procedures. Business unit personnel with authority to execute Duke Energy's commercial activities are responsible for developing and executing business plans that are consistent with corporate strategies and risk tolerances and that comply with established policies, procedures and limits.

Business unit personnel are also responsible for developing procedures and processes designed to govern commodity risk management activity in compliance with the requirements established in Duke Energy's various Risk Management policies, and train their applicable personnel on these procedures.

Duke Energy's corporate risk management group is responsible for assessing the adequacy of the company's risk management controls, approving and maintaining business unit-specific risk practices, and providing independent identification, oversight and management of market risks.

Duke Energy employees must:

- Only execute transactions in authorized commodities, using approved instruments, and following the applicable procedures for maintaining compliance with the specific risk limits and hedge guidelines.

Duke Energy employees must not:

- Cause Duke Energy (or its affiliates) to enter into, or direct others to cause Duke Energy (or its affiliates) to enter into, energy commodity contracts for account of themselves, members of their families, friends, or persons or entities with whom they have a personal business interest.
- Knowingly, willfully or intentionally, disclose to any person not employed by the company any confidential business strategy or position, except when compelled by an outside government or oversight body, or with approval from Senior Management.

SAFEGUARDING COMPANY RESOURCES

Duke Energy invests in and uses certain assets to advance its business strategy and objectives.

These assets include, but are not limited to books, office supplies, fax machines, computers, phones and work time.

Limited personal use of these assets on company time is allowed. However, because excessive personal use can be costly and impact profitability, employees are expected to use good judgment.

The personal use of equipment, tools and machinery is not allowed, except where specific business unit procedures allow for such use.

Our Responsibilities

Duke Energy employees are expected to use Duke Energy assets and resources responsibly and for legitimate business purposes.

Duke Energy employees must:

- Talk to a supervisor when it is unclear if the use of a company asset in a given situation is appropriate.

Employees must not:

- Reproduce protected materials for personal use.
- Make personal use of any Duke Energy asset (including computers and other office resources, equipment, tools and machinery) that creates any additional costs for Duke Energy, interferes with work duties or violates any company policies.
- Allow company property to be used for illegal activities.
- Use company property or information for personal gain.

Revised and reissued
by the Ethics Committee
on 10/1/2014. This policy
will be reviewed annually.



Corporate Governance Ethics and Compliance

As part of Duke Energy's commitment to conducting its business ethically, we have created the Ethics and Compliance Program to help employees follow this Code of Business Ethics and to meet legal or regulatory requirements related to company business.

- The Audit Committee of the board of directors exercises reasonable oversight with respect to the implementation and effectiveness of the program.
- The management of the company promotes an organizational culture that encourages ethical conduct and a commitment to compliance with all applicable laws, rules and regulations.
- The Chief Ethics and Compliance Officer has overall responsibility for the program's effectiveness.



Code of Business Ethics

ethicsline: 1-800-625-3783

<http://www.dukeenergy-ethicsline.com>

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

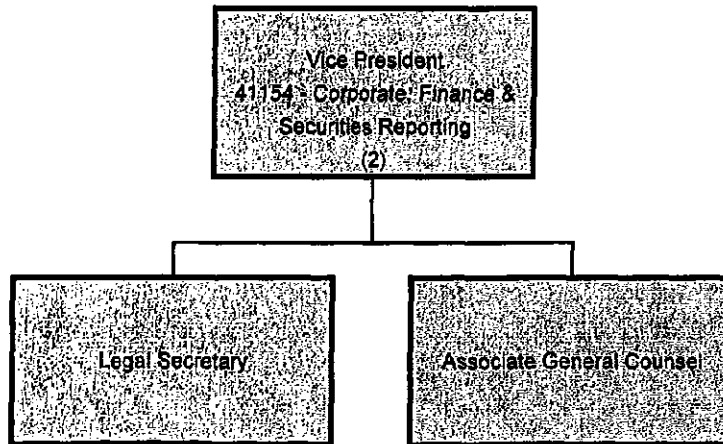
The department maintains open channels of communication for exchange of information and ideas through several media, such as in-person meetings and distribution of bullets. Communications and legal opinion may be communicated orally or in writing, depending on the particular situation.

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
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.

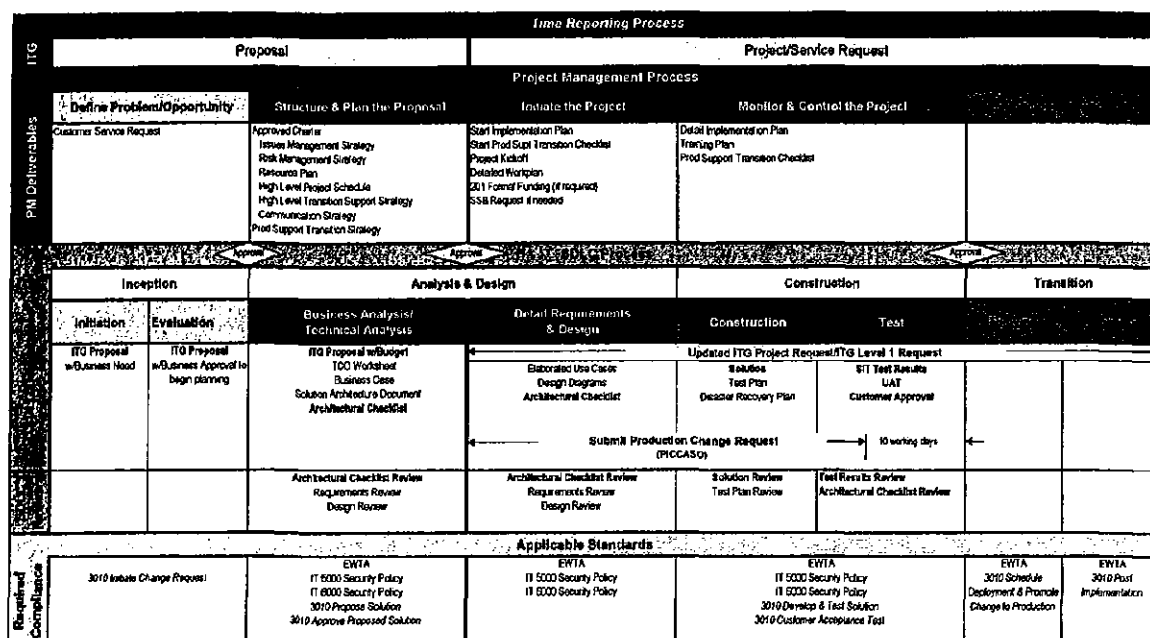


Figure 1 – SDLC and Project Management Processes

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.

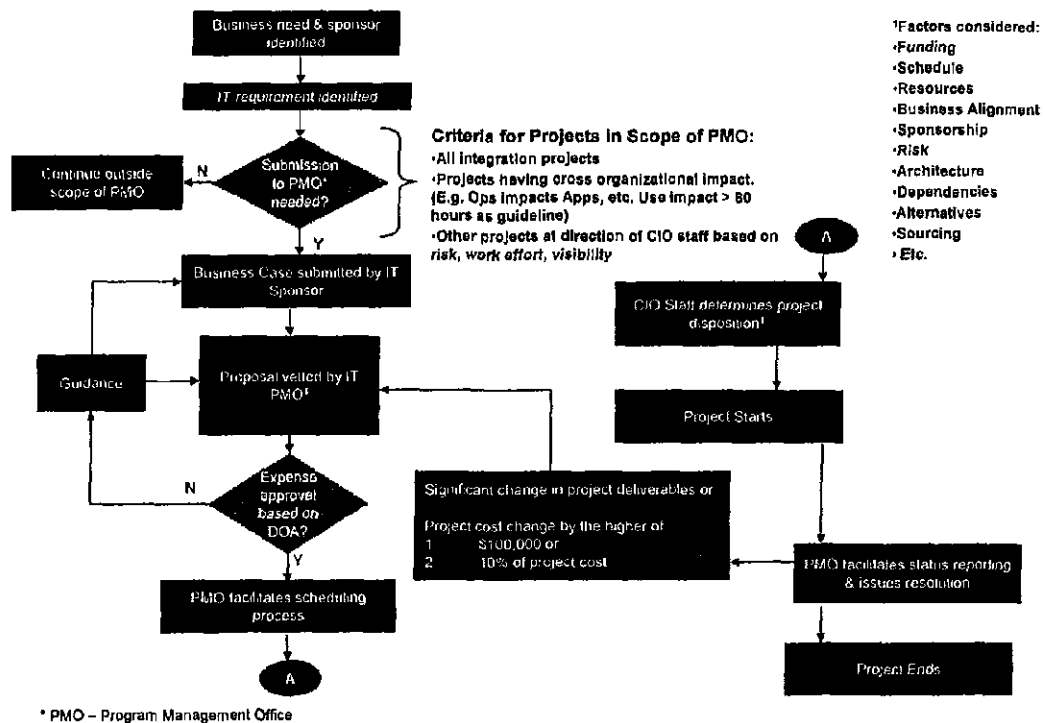


Figure 2 – PMO Business Case & Project Process Flow

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.

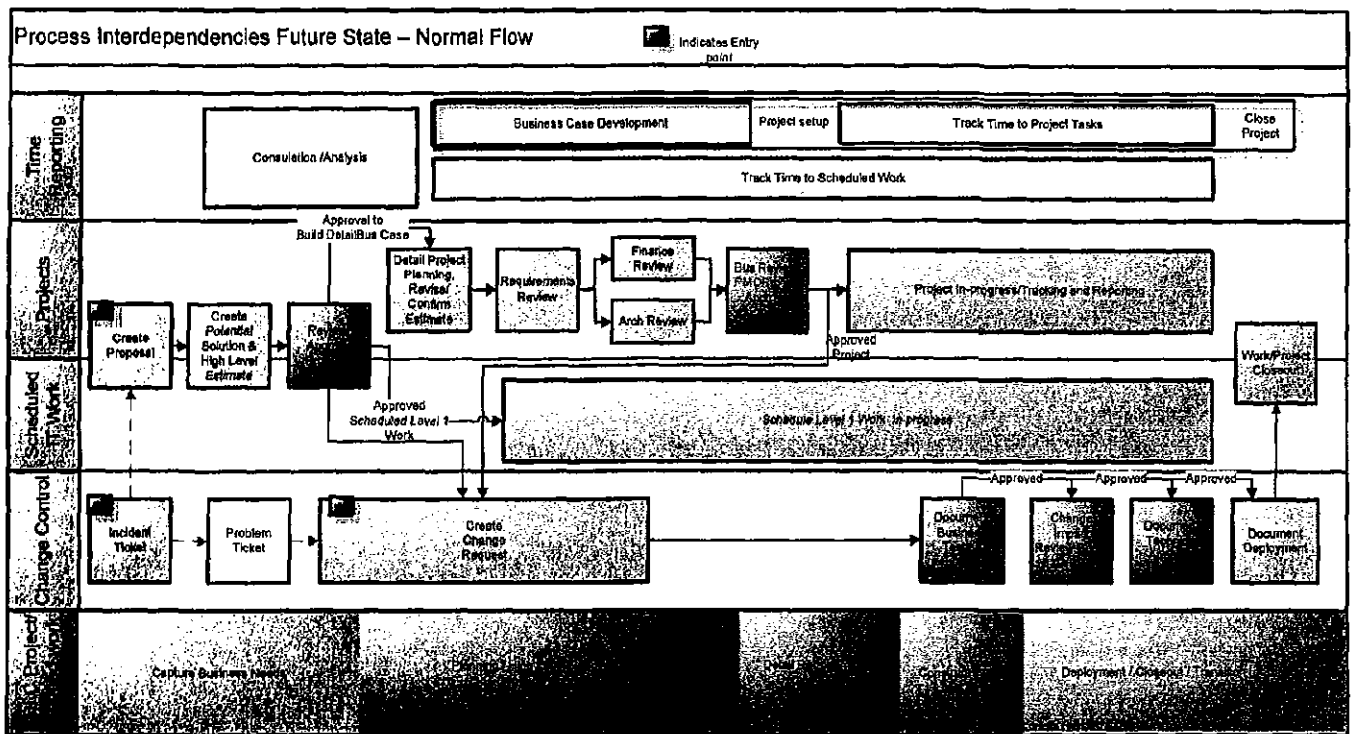


Figure 3 – Process Inter-dependencies

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.