

MEMORANDUM

February 21, 2008

TO: Duke Energy Leadership
FROM: Marc Manly, Group Executive and Chief Legal Officer
Keith Trent, Group Executive and Chief Strategy, Policy and Regulatory Officer
RE: Impact of New Federal Lobbying and Gift Laws

The U.S. Congress recently passed new lobbying and gift laws – the Honest Leadership and Open Government Act of 2007 (“HLOGA”) -- that will impact Duke Energy Corporation, its subsidiaries and employees. It is important that you understand the changes and review them with your organization to ensure we are in full compliance.

Changes as a Result of HLOGA’s Gift Requirements

As a result of HLOGA and certain House resolutions, companies, their subsidiaries and employees are prohibited from providing any gifts to Congressional members or their staff. Some exemptions apply; however, the law on these issues is complex.

Based on our legal review of HLOGA and discussions with others at Duke Energy, **the following is effective immediately:**

Employees must coordinate and pre-clear with Duke Energy’s Federal Government Affairs (Beverly Marshall) **prior to:**

- * communicating with **any** federal public official on behalf of the company, or
- * offering, directing or providing **any** gift to a federal official, such as a member or staff of Congress or an official or employee of a federal agency. This includes meals, travel, entertainment,
event tickets and sponsorships of an event where a federal official is the speaker or honoree.

Additionally, employees must contact Federal Government Affairs before using (or offering) any company funds or resources for a contribution or donation to a third-party entity that is related in any way to a federal official.

- * Examples of these entities include presidential libraries and charitable funds named for federal officials.
- * Company funds or resources include company aircraft, an employee’s time and use of company property for campaign activities.

Changes as a Result of HLOGA’s Lobbying Requirements

Congress has increased the frequency and scope of reports about lobbying activity. For example, regular disclosure reports will be quarterly instead of semi-annually. Also, a new semi-annual report is required to disclose certain contributions and expenditures that may result in a benefit to a covered federal official (e.g., a contribution to a charity named for a Senator; an event held to honor the director of a federal agency; a Congressional speaker at a Duke Energy-sponsored event).

As a result, the following is effective immediately:

All expenditures (e.g., gifts, lobbying activities, contributions, etc.) involving a federal official in any way are required to be tracked and recorded. Specific accounting will be necessary to capture and report these expenditures. In the Carolinas, when charges are processed, use process FGA; and, in the Midwest, use work code LOBBYEXFED. After the financial systems are combined later this year, both the Carolinas and Midwest will use the process FGA to capture these expenditures.

HLOGA Certification Requirements

Every six months Duke Energy must certify, subject to civil and criminal penalties, its compliance with the Congressional gift rules. Sub-certifications in support of this certification will be required from certain company leadership. Keith Trent, Group Executive and Chief Strategy, Policy and Regulatory Officer, will certify on behalf of the company.

HLOGA Violations

The new law makes donors (companies and/or individuals) liable for providing impermissible gifts. Penalties for violation of the gift ban or for other violations of the lobbying law may include **finances of up to \$200,000 per violation**. Penalties, for knowingly making corrupt violations, include **up to five years in prison** and possible additional fines. Penalties may be imposed on the company or on individual lobbyists or non-lobbyist employees.

Our Code of Business Ethics will be revised to reinforce these requirements – and actions needed by employees.

We recognize that these are additional processes being imposed on you and your employees. However, it is important that we do the right thing and take steps necessary to ensure full compliance.

Thank you for your support. Please contact Rick Beach in the Legal Department, at 513-419-1813, should you have questions or need more information.