

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



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.