

## 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**

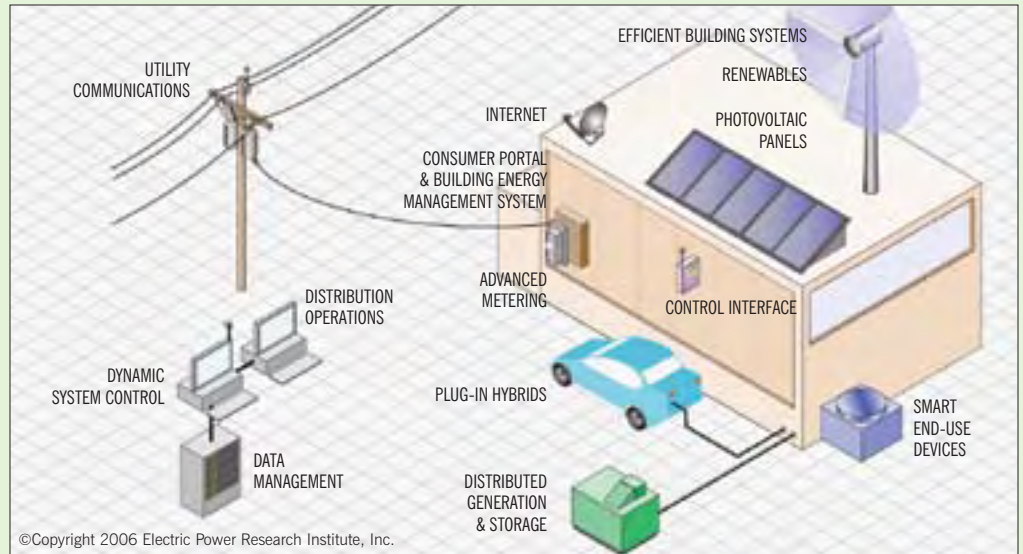
Nationally, Duke Energy is playing a leading role with programs and policies that drive energy efficiency. In 2006, Jim Rogers co-chaired the development of the National Action Plan for Energy Efficiency (NAPEE). Sponsored by the U.S. Environmental Protection Agency and the Department of Energy, NAPEE 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](http://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. Depending on the state of residence, we offer audits in the home or online. Customers can also learn how to use appliances more efficiently, construct an energy efficient home or compare costs of energy efficiency alternatives. Visit [www.duke-energy.com](http://www.duke-energy.com) for our latest energy savings tips.

## PRODUCTS & SERVICES



### 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

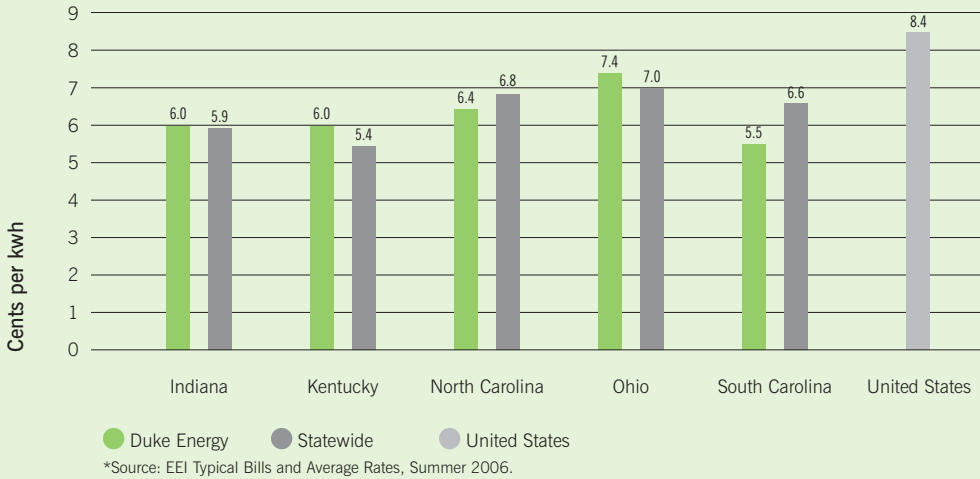
use, helping us better tailor our operations and planning to customer demand. We are piloting smart meters in 2007 and expect to have them in nearly all customers' homes and businesses in five to seven years.

#### 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.

