

QUALITY WORKFORCE

Attract and retain a diverse, high-quality workforce

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.

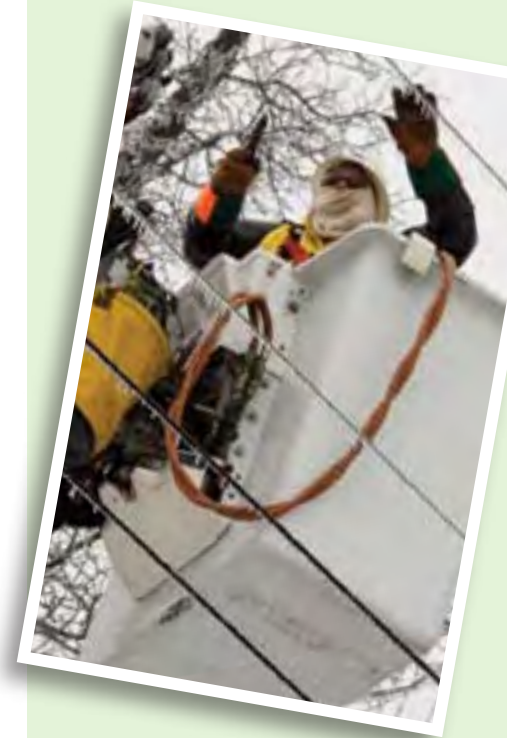
- Our natural gas operating unit in Ohio and Kentucky achieved strong improvement in safety performance in 2006, with half the number of personal injuries compared to 2005 and the lowest TICR in 10 years.

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 Skillssoft 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, Skillssoft 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 Toodle, Customer Billing Information System Agent, processes service requests at the Customer Contact Center in Charlotte, NC.

Joseph Garcia, Senior Lineperson A, in full personal protective equipment, works out of our Todhunter 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.

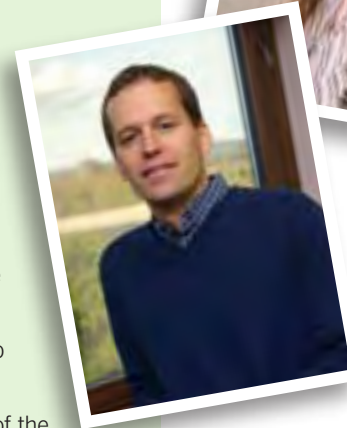
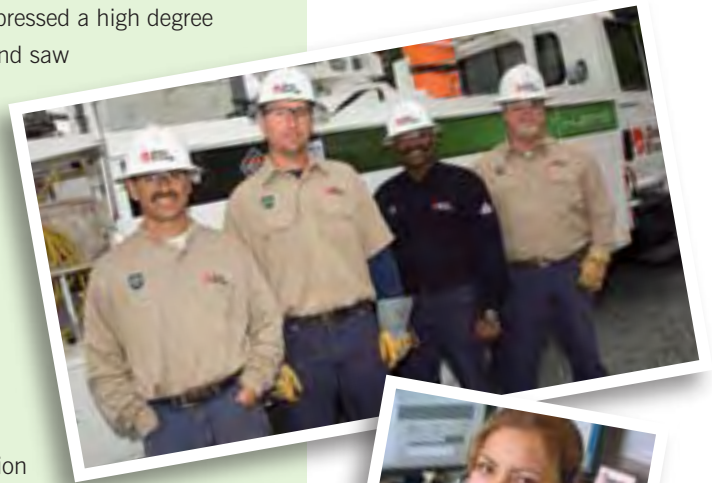
Employee Opinion Survey – Since 1990, Duke Energy has systematically measured employee opinions about the company. The 2006 survey, conducted after the merger, sampled approxi-

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.