

Quality Workforce

OUR SAFETY VISION:

Duke Energy employees and contractors at every level demonstrate personal commitment to continuous safety improvement, resulting in a zero injury and zero work-related illness culture.

2007 CHALLENGES

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

WHAT WE DID IN 2007

- Improved total incident case rate by 17 percent
- Did not meet goal of zero fatalities
- Developed a workforce needs forecast and revitalized our recruiting efforts
- Established additional partnerships and collaborations with educational institutions to prepare future workers

2007 OPPORTUNITIES

- Become the leader in safe work practices
- Maintain reputation as a preferred employer and attract top talent

WHAT WE DID IN 2007

- Focused on safety culture, training and process improvements
- Benchmarked leading companies to ensure competitive compensation and benefits

Safety update

We measure safety performance through two measures:

- Zero fatalities
- Total Incident Case Rate (TICR) – the number of recordable incidents per 100 employees (based on Occupational Safety and Health Administration criteria)

We failed to reach our goal of zero fatalities in 2007. We are saddened to report the accidental deaths of two Duke Energy employees. A Gas Operations employee was fatally injured by an automobile while working on a natural gas line in Ohio. Another teammate was killed while preparing to tow a vehicle in Peru. These tragedies remind us that we work in a hazardous environment and must be extra vigilant to the safety risks around us.

We completed 2007 with a TICR of 1.25, a 17 percent improvement over 2006. This translates to 65 fewer employees being injured in 2007. We also saw a 26 percent improvement in our lost workday case rate (LWCR) from 2006 to 2007, and those employees who missed work due to injuries returned sooner. TICR and LWCR were both better than our 2007 targets.

Our goal is to achieve top decile TICR performance by 2012. While we improved in 2007, we still lag the leaders in our industry. Among the largest investor-owned electric utilities, those in the top decile for safety performance in 2006 (the most recent data available from the Edison Electric Institute (EEI)) had a TICR of 0.76 or lower.

CONTRACTOR SAFETY

The Duke Energy Foundation sponsored the National Contractor Safety Summit in 2006. As a result of their involvement in the Summit, in 2007, the U.S. National Institute for Occupational Safety and Health, the Occupational Safety and Health Administration and the Bureau of Labor Statistics established a national working group to improve the collection of contractor safety statistics. We are also directly involved in various research projects to improve contractor safety. The results will be available to interested parties. And, through Duke Energy leadership, the EEI executive committee adopted Health and Safety Principles, a first for EEI.

Internally, we have improved our contractor safety data collection methods. Safety Summits were held in the Carolinas and Midwest to communicate our safety values and expectations to senior managers and project managers of contracting companies.

ERGONOMICS

Several business units have focused on reducing injuries due to poor workplace design or practices. Injuries to Power Delivery line technicians dropped by 25 percent in 2007 as a result of ergonomic safety improvements. Fleet Services and Nuclear Operations have implemented specific programs to identify risks and improve ergonomic safety.

Recruiting, developing and retaining employees

Duke Energy is facing major change not only in its business environment, but within the company as well. We see dual challenges ahead:

- Competing for the best talent: hiring replacements for the approximately one-third of our employees who may retire in the next five years.
- Preserving specialized knowledge: systematically capturing the critical knowledge of our employees before they retire.

Duke Energy has a number of efforts designed to attract, retain and develop employees:

- We are identifying the core skills and jobs that we will staff internally, and those that we will contract with others to provide.
- We have developed knowledge management and aging worker retention strategies, including support for federal pension reform so retirement-eligible workers can work part-time and draw from a retirement plan without penalty.
- We have revamped our training and development, including a new Strategic Leadership Program developed in conjunction with the University of North Carolina's Kenan-Flagler School

of Business.

- We are developing and testing a software tool to help employees find courses and other training opportunities.
- We implemented a new software tool for performance management, employee development planning and succession planning.
- We are using rotational programs to attract and develop early career professionals.
- We are working in partnership with community colleges and technical schools on development and recruiting for technician positions.
- We are expanding internship and co-op programs in nuclear, engineering and technical services, power delivery and the commercial businesses.
- We are expanding opportunities for employee networking and collaboration through Employee Resource Groups, safety steering teams and project teams.
- We regularly benchmark leading companies to offer competitive compensation and benefits, and progressive workplace programs.
- We conduct periodic employee opinion surveys to assess and improve our culture and workplace practices.

TOP PHOTO: BRANDY STARNES, SCIENCE TECH II; MIDDLE PHOTO: LEFT BOB DOBY, SCIENCE TECH III, AND MICHAEL ABNEY, SCIENTIST II; BOTTOM PHOTO: CALEB SCHRUM, FOSSIL TECH II. EMPLOYEES WORK IN VARIOUS ENVIRONMENTS TO GET THE JOB DONE – FROM ANALYZING DATA AND FISH SAMPLES TO REPAIRING HEAVY EQUIPMENT.





TOP TO BOTTOM: LARRY WESSEL AND MELISSA SPRADLING, SENIOR MAINTENANCE ELECTRICIANS; RICK MCCLAIN, GENERAL SUPERVISOR, TRANSMISSION AND DISTRIBUTION; AND DEBBIE FIELDS, ELECTRIC OPERATIONS CLERK

Employee career development opportunities

Once hired, employees are encouraged to continue their education through in-company courses or outside classes. For some positions, especially in the craft and technician roles, employees must complete specific training modules to retain their jobs. In 2007, we implemented a new online tool to register for classes and track training records. Through this system, we recorded more than 17,400 employees taking nearly 500,000 hours of in-house training.

Workforce Statistics

	AS OF 1/31/07*	AS OF 12/31/07
Full and Part-Time Employees	18,053	18,117
■ United States	17,100	17,045
■ Duke Energy International	953	1,072
Collective Bargaining Unit/Union Members as Percent of Workforce		
■ U.S. (Members of a Collective Bargaining Unit)	27.1%	25.5%
■ Duke Energy International (Members of a Union)	35.3%	30.2%

United States Workforce Demographics**

Ethnic Diversity as Percent of Workforce		
■ White	86.6%	86.6%
■ Black/African American	11.2%	11.3%
■ Hispanic/Latino	0.9%	0.9%
■ Asian/Pacific Islander	0.9%	0.8%
■ American Indian/Alaska Nation	0.3%	0.3%
■ Not Specified	0.1%	0.2%
Females/Minorities as Percent of Workforce/Management		
■ Females as Percent of Workforce	22.6%	22.6%
■ Females as Percent of Management	17.6%	17.2%
■ Minorities as Percent of Workforce	13.3%	13.3%
■ Minorities as Percent of Management	7.8%	8.0%

* After Spectra Energy spinoff

**Ethnic diversity and gender data are not captured for Duke Energy International employees

While there's tremendous power in a shared culture and sense of purpose, we recognize and value the diversity of our employees.

Building a culture of sustainability and diversity

We believe that driving the concepts of sustainability throughout Duke Energy – making it “part of our DNA” – will create long-term value and differentiation. In 2008, we will be undertaking a comprehensive training and education effort to build a corporate culture of sustainability. We expect it to lead to innovative approaches to our business issues and to align our employees around the principles of sustainability.

While there's tremendous power in a shared culture and sense of purpose, we recognize and value the diversity of our employees. Our diversity efforts include:

- A Diversity Council, comprised of a cross section of company officers and employees, provides oversight of diversity and inclusion efforts, including company policies, programs and initiatives. Diversity Steering Teams are used to improve diversity awareness and help create an inclusive culture.
- Employee Resource Groups: The company supports a number of employee groups to bring together colleagues of similar interests and backgrounds. Regardless of the name, each group is open to any employee. The groups provide educational, networking, professional development and community service opportunities, and include the following:
 - African-American Network
 - Business Women's Network
 - Latino Network (Under development)
 - Leadership Development Network

The company also supports employee participation in local chapters of national groups such as the American Association of Blacks in Energy, North American Young Generation in Nuclear and Women in Nuclear.

Employee turnover

The average Duke Energy employee is about 48 years old with 20 years of service to the company. Employee turnover in 2007 was about 6 percent. Nearly 85 percent of the employees who left the company did so voluntarily. Employees affected by restructuring were offered help in finding new positions, either within Duke Energy or outside the company through career assistance. We also offered voluntary severance packages to encourage reductions in specific business areas.

2007 Turnover Summary

Reason	Number	Percent of Total
Severance package volunteers	405	39.4
Resignations	244	23.8
Retirements	218	21.2
Separations of employees who were notified they did not have a position in the new organization*	114	11.1
Dismissals	46	4.5
Total	1,027	100

* Employees whose jobs were affected by restructuring were offered an option to transfer into a “transition pool” for a six-month period where they could look for another job internal to the company, look for another job outside the company or terminate employment immediately.

AMERICAN ASSOCIATION OF BLACKS IN ENERGY ENERGIZE OUR YOUTH



AABE is dedicated to ensuring

the input of minorities into energy policy decisions, research and development technologies and environmental issues. AABE members also mentor high school students, award scholarships to college students and develop young professionals within the energy industry. Since 2001, the Cincinnati AABE chapter has raised over \$100,000 and awarded 50 student scholarships based on academic achievement and financial need. This chapter has been recognized as one of the most outstanding in the country six times since 2001.

DEI SPOTLIGHTED FOR WORKPLACE EXCELLENCE

Duke Energy International (DEI) received several honors acknowledging our workplace best practices in 2007.

- DEI Brazil was named to the list of 100 Best Companies to Work for in Latin America by the Great Place to Work® Institute.
- DEI Brazil also won a silver Eloy Chavez Medal for having a low employee and contractor accident rate.
- DEI EI Salvador received the 3M Industrial Safety Award for its work in protection and industrial safety programs.
- DEI Egenor was recognized by the Great Place to Work® Institute as being one of the 25 best places to work in Peru for the fifth consecutive year.

Employee wellness

In 2007, Duke Energy expanded its Live Well program to all U.S.-based employees. The program is designed to improve health and wellness and reduce health care costs through educational programs and incentives for healthy living. Employees are encouraged to set up a personal profile and participate in an online assessment. The system also allows employees to track their participation and progress, including generating “credits,” redeemable for an incentive of up to \$200 into their Health Care Spending Accounts.

@Work pilot a success

In 2007, Duke Energy expanded its telecommuting pilot to a more formalized program called “@Work,” in which participants worked from home an average of three or more days a week. Future participants will use shared workspace when they are in the office. Because the pilot resulted in stable productivity and enhanced employee satisfaction, @Work is being expanded in 2008. Over the long-term, we expect to see lower facility costs and reduced carbon emissions also resulting from this program.

2007 James B. Duke award recipients



Each year, Duke Energy presents its highest employee honor – the James B. Duke Award – to employees who exemplify our values and goals. The award is named for noted industrialist and visionary “Buck” Duke, who was one of the company’s founders more than a century ago. Winners of the James B. Duke award are nominated and selected by their peers.

The accomplishments of our Duke Award winners touch on many aspects of sustainability. These outstanding employees are advocates, ambassadors, innovators, inventors and yes, even heroes.

- **Norman Barnes**, Service Mechanic A, Cincinnati – saved the lives of three people when he continued to search for tenants of an apartment building that had been evacuated following a gas leak.
- **Peter Hastings**, Licensing Manager, Nuclear Plant Development, Charlotte – led the effort to complete the 8,000-page construction and operating license application for two new nuclear units in South Carolina. The application was submitted to the Nuclear Regulatory Commission in December 2007 after more than two years of preparation. (See pages 6 and 21.)
- **Kelley Karn**, Associate General Counsel, Plainfield – oversaw the regulatory approval process of the Edwardsport integrated gasification combined cycle (IGCC) plant. Edwardsport is the first major power plant to be built in Indiana in more than 20 years. (See pages 5 and 21.)
- **Marilyn Lineberger**, Communications Manager II, Charlotte and **Sandy Tallant**, Business Relations Executive, Hendersonville, N.C. – led the communications, community relations and stakeholder engagement supporting the Cliffs Modernization Project. Construction of the plant is now under way. (See pages 6 and 21.)
- **Dr. Larry McKenzie**, Nuclear Station Instructor, Catawba Nuclear Station, S.C. – spearheaded a radiation protection technology program at Spartanburg Community College – the first of its kind in the nation. This program fills a company need for technical skills and provides job opportunities for the community.
- **Harry Poovey**, Economic Development Manager, Hickory, N.C. – served as the company’s primary point of contact to attract the Google facility to North Carolina. (See page 34.)
- **Dee Putnam**, Senior Health and Safety Specialist, Charlotte – helped implement a new safety device that resulted in 100 percent fall protection for employees who climb wooden poles in their work.
- **Rob Smith**, Meter Reader, Cincinnati – was the first responder to an accident he encountered on a highway. By applying CPR skills he learned on the job, he saved the driver’s life.
- **Ron Thompson**, Planner, Work Management, Zimmer Station, Ohio and **Phil Williamson**, Station Equipment Expert, Miami Fort Station, Ohio – are teaching important lessons of respect and tolerance to a new generation of students. They share the tragic history of the Transatlantic Slave Trade with students at Three Rivers Middle School and elsewhere to ensure these lessons of history are not forgotten.

Employee opinion survey

2007 was a year of great change within Duke Energy. Our natural gas pipeline business was spun off in January. There were also many changes to familiar systems and programs as we consolidated the company. As we do each year, employees were given an opportunity to complete an opinion survey. In 2007, 65 percent of our employee population replied.

Headlines from the survey:

- **Supervisor-employee relationships:**

This aspect of work life received high marks in many areas. The overall “supervisory skills” category received a 72 percent positive rating.

Response: Although we are doing well, we are determined to do better. A variety of training programs are available, and will be required for new supervisors, to further develop the skills needed to lead employees effectively.

- **Company strategy and leadership:**

Slightly less than half of the employees who responded to the survey felt they understood the company’s strategy.

Response: In 2008, the company’s updated mission, values and direction are being broadly communicated. Additionally, executive management members host monthly “Open Forums” and other employee discussions at various locations throughout our service areas. We are experimenting with other communications, such as internal blogs, to address employee questions and comments.

- **Workload and resources:** Employees felt their workload was increasing due to cost and workforce reductions.

Response: To improve efficiency, we are identifying unnecessary work to help eliminate the “we’ve always done it that way” problem. We are also hiring additional people in selected areas and targeting specific work that can be completed more effectively by contractors.

- **Productivity:** Sixty-six percent said they had the right knowledge and skills to be productive at work, which is a slight improvement since the previous year’s survey.

Response: We seem to be on the right track, but again, there is room for improvement. We have an increased commitment to employee training and development through online and hard-copy resources, as well as classes, seminars, and craft and technical training opportunities.

- **Rewards:** Many employees felt they were not rewarded for good work.

Response: Since the survey was taken, job titles and pay structures have been standardized across the company. Most jobs have been matched to external market surveys. And, new performance management processes are in place for 2008.

Although the positive responses were not as high as we would have liked in many areas, the negative ratings were generally in the single-digit or low-teen percentages. Responses that were neutral made up a large middle segment, which may be expected as employees become accustomed to the new company.

TOP TO BOTTOM: LEILA LIGON, ORDER PROCESS REPRESENTATIVE; CHRISTIAN NICHOLS, SENIOR MAINTENANCE ELECTRICIAN

