



This sustainability plan reflects Duke Energy’s commitment to operate in a way that is good for people, the planet and profits. The plan expands on the company’s business strategy and values, and focuses on the areas that are most material from a corporate sustainability perspective.

The plan was initially developed in 2007 as a five-year plan and is refined each year. Unless otherwise noted, the goals were to be achieved by 2012. The progress we have made in achieving these goals is summarized here. More information on our progress can be found in the following pages of this Sustainability Report.

In 2009, we will be updating our sustainability plan and measures to reflect stakeholder input and our rapidly changing business environment.

INNOVATIVE PRODUCTS AND SERVICES

Provide innovative products and services in a carbon-constrained, competitive world

Why it matters: Our customers want products and services that keep them competitive, yet respond to environmental concerns.

GOAL	PROGRESS
● Champion energy efficiency as a top industry issue and collaborate with regulators, customers and other key stakeholders to advance innovative policies and programs	The save-a-watt model was approved by Ohio regulators in late 2008. In early 2009, S.C. regulators rejected save-a-watt but asked us to return quickly with a revised plan. N.C. regulators approved our proposed energy efficiency programs but asked for additional detail on the avoided cost model. Regulatory decisions are pending in Indiana and Kentucky.
● Aggressively pursue “smarter grid and meter” technologies that can deliver significant operational and customer benefits	We continue to deploy equipment for testing and design purposes. Ohio regulators approved our plan to move forward with smart grid implementation. Planning is underway for our four other states. We are also working to encourage and prepare for broader use of plug-in electric vehicles.
● Expand green power options to customers in every state we in which operate	We provide green power programs in each of our five states except Kentucky, where a program is planned for 2009. Carbon offset programs are available in the Carolinas and planned for Indiana and Ohio in 2009. Customer participation in these programs is currently less than 1%.
● Keep rates competitive	Average retail electric rates in each of our five states were below national averages in 2008. In Indiana and the Carolinas, our rates were below state averages.
● Achieve top-quartile customer satisfaction in all markets as measured by benchmark surveys	While Duke Energy ranks in the top quartile in some markets, we are not top-quartile in all markets.

PROGRESS KEY

- Achieved or On Track
- Currently Not On Track
- Year-end Goal Not Achieved



ENVIRONMENTAL FOOTPRINT

Reduce our environmental footprint

Why it matters: As an energy company, we have a large impact on the environment and depend on natural resources for much of our fuel.

GOAL	PROGRESS
Diversify our fuel mix and address the climate change issue by:	
● Promoting U.S. federal policy mandating economy-wide reductions of greenhouse gas emissions	We continue to collaborate with key stakeholders and testify before Congress to advance sound climate change legislation.
● Creating the option to build new nuclear (carbon-free) generation	Our construction and operating license application for the William States Lee III Nuclear Station in S.C. was accepted for review by the U.S. Nuclear Regulatory Commission in 2008.
● Piloting clean coal technologies, e.g., integrated gasification combined cycle (IGCC) technology, CO ₂ capture and sequestration	Construction of our IGCC Edwardsport power plant in Indiana is under way. We are studying the potential to securely store CO ₂ underground at the site. Our participation in three U.S. Department of Energy regional sequestration partnerships also continues.
● Securing cost-effective sources of renewable energy	At year-end 2008, we had over 5,000 MW of wind energy under potential development in 14 states and close to 400 MW of operating assets. We have entered into an agreement to purchase the output of a large photovoltaic solar farm to be built in N.C. and launched ADAGE, a joint-venture with AREVA to develop biomass power.
● Reducing, avoiding and/or sequestering at least 10 million tons of CO ₂ equivalents between 2007 and 2015	Projects implemented in 2007 and 2008 have avoided an estimated 712,000 tons of CO ₂ emissions through the end of 2008. Future years' avoided emissions from these and other projects will be quantified annually and applied toward the goal. Work also continues on the 2030 aspiration to identify possible actions to cut our 2006 U.S. CO ₂ emissions in half by 2030.

GOAL	PROGRESS
Continue to focus on safe, reliable and efficient power plant operations by achieving:	
● A nuclear capacity factor of 92.36% in 2008	Year-end performance was 91.50%, just under the year-end target, due to refueling outages exceeding their schedules.
● Regulated fossil commercial availability of 85.11% in 2008	Year-end performance was 85.30%, slightly higher than the year-end target.
● Non-regulated fossil (Midwest only) commercial availability of 86.32% in 2008	Year-end performance was 81.58%, lower than the year-end target, primarily due to three extraordinary forced outages.
Continue and expand our efforts to improve air quality by:	
● Reducing nitrogen oxides (NOx) and sulfur dioxide (SO ₂) emission rates of the coal-fired power plants we operate 10% and 35%, respectively, in 2008 compared to 2006	The NOx emission rate was 18% lower and the SO ₂ emission rate was 50% lower in 2008 compared to 2006.
● Reducing NOx, volatile organic compounds (VOC), particulate matter (PM) and carbon monoxide (CO) emissions from our on-road and non-road vehicle fleet 35% by 2012 compared to 2006	We finalized our methodology to calculate vehicle fleet emissions and compiled 2006 through 2008 data. We also added more fuel-efficient models to our fleet and pursued alternative fuel opportunities.
● Continuing to replace older natural gas lines, thereby reducing the leaks repaired 20% by 2012 compared to 2007	Due to our continuing work to replace older natural gas lines, the number of leaks repaired was 6% less in 2008 compared to 2007. We are on track to meet the 20% reduction goal by 2012.
● Increasing employee participation in our transit subsidy and telecommuting programs	Participation in the Charlotte transit subsidy nearly doubled to 1,100 while participation in the Cincinnati transit subsidy remained stable. Participation in the @Work telecommuting program grew by 65 to 209 at year-end 2008.

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ENVIRONMENTAL FOOTPRINT

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GOAL	PROGRESS
<ul style="list-style-type: none"> Reduce electricity consumption at our 13 largest commercial buildings 10% by 2012 compared to the 2005-2007 average 	<p>We evaluated energy (and water) use at our 13 largest commercial buildings in 2008 to identify economically viable projects. These projects will be implemented over the next 2-3 years in order to meet or exceed the 10% reduction goal by 2012.</p>
<p>Minimize the amount of waste requiring disposal by:</p>	
<ul style="list-style-type: none"> Reducing the amount of low-level radioactive waste (Class B and C) generated at our nuclear power plants 25% by 2012 compared to the 2002-2005 average 	<p>We generated 1,303 cubic feet of low-level radioactive waste (Class B and C) in 2008, lower than the year-end goal of 1,420 cubic feet. We are on track to meet the 25% reduction goal by 2012.</p>
<ul style="list-style-type: none"> Increasing the beneficial use of coal combustion products (excluding structural fills) 10% by 2012 compared to 2007 	<p>The amount of coal combustion products beneficially used in 2008 was 2,232 thousand tons, approximately 9% higher than the 2,052 thousand tons beneficially used in 2007 (all figures exclude structural fills). We are on track to meet the 10% goal by 2012.</p>
<ul style="list-style-type: none"> Measuring solid waste and recycling streams in 2008 to establish baseline data for goal-setting purposes 	<p>We finalized our 2008 baseline data and established a goal to increase the percentage of solid waste that is recycled from 55% to 65% by the end of 2012. Our improvement efforts will focus on both waste reduction and increased recycling.</p>
<p>Address long-term water supply issues by:</p>	
<ul style="list-style-type: none"> Conducting water balance surveys to better understand how water is currently being utilized 	<p>Water balance surveys have been completed at our 11 major power plants in the Carolinas and are being reviewed for potential improvement opportunities.</p>
<ul style="list-style-type: none"> Collaborating with other large water users and withdrawers in the Carolinas as the region experiences continued population growth and drought conditions 	<p>We continue to collaborate with stakeholders within the Catawba-Wataeree River Basin to address drought conditions and improve long-term water management. Our basin-wide approach has been recognized within N.C. as a model approach. Dialogue with Savannah River Basin stakeholders in S.C. has been initiated.</p>

QUALITY WORKFORCE

Attract and retain a diverse, high-quality workforce

Why it matters: Energy companies will be differentiated by the quality, creativity and customer focus of their employees.

GOAL	PROGRESS
<ul style="list-style-type: none"> Achieve zero work-related fatalities and top decile safety performance in total incident case rate (TICR) by 2012 	<p>We achieved zero work-related fatalities during 2008. Our TICR improved to 1.15 in 2008, beating our year-end target of 1.19. We are on track to be top-decile in TICR by 2012.</p>
<ul style="list-style-type: none"> Develop a culture of wellness by encouraging, supporting and rewarding improved employee health and well-being 	<p>Participation in the Live Well program grew to over 3,000 employees at year-end 2008. Approximately 6,700 employees received flu shots and more than 550 employees joined the company-subsidized Weight Watchers program.</p>
<ul style="list-style-type: none"> Drive understanding of the value of sustainability within the company to inspire ideas and innovation 	<p>A training and education program on sustainability has been designed and is being implemented in 2009.</p>
<p>Attract, retain and engage a diverse, talented workforce by:</p>	
<ul style="list-style-type: none"> Implementing a more effective employee recruitment and development plan 	<p>We are partnering with technical and community colleges to prepare and recruit new employees. A new first-line supervisor training program was launched in 2008. Employee Resource Groups continue to provide development, networking and recruiting opportunities.</p>
<ul style="list-style-type: none"> Developing and implementing innovative employee programs and benefits 	<p>We implemented high-deductible health plan and health savings account options to help employees save for future health expenses on a tax-favored basis.</p>
<ul style="list-style-type: none"> Launching ways to transfer or retain critical knowledge 	<p>We are using succession planning, entry-level development programs and process documentation to transfer or retain critical knowledge.</p>

PROGRESS KEY

- Achieved or On Track
- Currently Not On Track
- Year-end Goal Not Achieved



STRONG COMMUNITIES

Help build strong communities

Why it matters: Our success is linked to the health and prosperity of the communities we serve.

GOAL	PROGRESS
● Invest over \$17 million annually in community programs that improve the quality of life in our communities	Charitable giving from The Duke Energy Foundation totaled \$17.5 million in 2008.
● Provide tools for our communities to use that will support their long-term planning	We provided sustainability information and tools at several conferences and meetings of key stakeholders during 2008.
● Increase spending with diverse suppliers by 5% a year	Our spending with diverse suppliers was \$323 million in 2008, a 40% increase over the prior year. This growth included a significant increase in fuel spending with diverse suppliers, partially due to rising prices. Even without these fuel purchases, our spending with diverse suppliers in 2008 was still 10% higher than 2007.
● Implement initiatives to support public safety in our communities	To educate the public on how to avoid the dangers of electricity and natural gas, we distributed nearly 150,000 free individual training packets to schools, emergency responders and at-risk contractors; ran bill inserts and radio ads; and reached more than 20,000 individuals with face-to-face events during 2008.
Partner to stimulate economic growth in our communities by:	
● Attracting 14,400 jobs in 2008	In this challenging economy, we helped attract 12,164 jobs, 84% of the 2008 goal.
● Attracting \$2.8 billion in capital investment in 2008	We helped attract \$2.97 billion in capital investment, 106% of the 2008 goal.



GOVERNANCE & TRANSPARENCY

Be profitable and demonstrate strong governance and transparency

Why it matters: Creating shareholder value and earning the trust and confidence of our many stakeholders keeps us in business.

GOAL	PROGRESS
● Provide investors a superior and sustainable return on their investment	Even though our stock performance was down during 2008, we outperformed the overall markets. In 2008, we maintained and increased the quarterly dividend from \$0.22 per share to \$0.23 per share and took measures to protect the strong balance sheet of the company. Further, we remain committed to growing adjusted diluted earnings per share at a compound annual growth rate of 5 to 7 percent through 2013, assuming a rebound in the economy.
● Assure that we have effective ethics and compliance programs	We created a Compliance Working Group to share best practices and a Business Conduct Council to advance the prevention and detection of misconduct across the company. Educational materials on the Code of Business Ethics were also enhanced.
● Regularly benchmark our corporate governance practices against best-in-class and industry peers, and recommend revisions as appropriate	We currently have favorable corporate governance ratings from several independent organizations. (See p. 43.)
● Assess our supply chain (services and products) from a sustainability perspective and implement appropriate follow-up actions	In 2008, Duke Energy joined several other U.S. investor-owned electric companies to form the Electric Utility Industry Sustainable Supply Chain Alliance. The goal of the alliance is to work collaboratively with suppliers to reduce the environmental impacts of the products and services we use and advance sustainable business practices.
● Communicate clearly and frequently with our stakeholders	As is our normal practice, we communicated and engaged with a wide range of stakeholders during 2008, including customers, investors, employees, suppliers, governments, communities and environmental groups. Key topics included climate change, energy efficiency, new generation and regional water use.