
From: Duke Energy Internal Communications
Sent: Thursday, October 08, 2009 1:03 PM
To: Duke Energy Internal Communications
Subject: Message from Jim Rogers: Repositioning Duke Energy for the New Business Environment

To: All U.S. Employees

From: Jim Rogers

The leaders of our company are taking a number of steps to reposition Duke Energy for what we see as a very new and different business environment. Continued economic weakness, slower growth or even declines in energy consumption, and pending legislative and regulatory changes suggest the business environment of the future will be very different from the past. We see an industry characterized by lower demand for electricity, increased mandates for low- or no-carbon generation, continuous innovation, different business models and more options for customers.

An executive team led by Jim Turner and A. R. Mullinax has identified actions to reposition our company for this new business reality. They identified four attributes of companies that win in times of transformative change: effective strategies; aligned planning; performance and accountability; and relentless cost management.

We are taking actions in each of these areas to anticipate and adapt to the new business environment:

- 1) Strategy: We are executing on a number of complementary strategies, including modernizing our fleet, growing our renewables business, pursuing options to build new nuclear, investing in Smart Grid technology, partnering with China to advance low-carbon and clean energy technologies, and developing other innovative business models that will help Duke Energy move away from being compensated purely on kilowatt-hour sales. I don't know of another company that is doing as much as we are to develop and preserve our options to grow and serve customers with excellence during this period of innovation and change.
- 2) Planning: In the year ahead, we will work to more strongly integrate business planning with budgeting, other resource needs and clear outcomes. An agile, aligned planning process adds speed to our business, and the ability to start – and stop – initiatives as conditions require.
- 3) Performance and Accountability: As we look at the demands this new business environment will place on how we operate our company, we will improve pivotal human resources processes that support a culture of innovation, performance and accountability, by:
 - Strengthening our approach to performance management;
 - Redesigning our employee incentive program to align with the new business realities and reinforce "pay for performance"; and,
 - Reviewing management layers to improve speed, accountability and communications.

- 4) Cost Management: To meet the challenges brought about by the new business environment, I believe we need to identify at least \$200 million in sustainable cost savings. Jim and AR's team have conducted the most detailed review of our cost structure since the merger four years ago and have collected feedback from across the organization. Achieving these cost reductions means we will have to work differently. Options may include consolidating redundant or non-customer facing functions, streamlining business processes, stopping unproductive initiatives earlier and eliminating non-critical work. More analysis is needed to validate the team's recommendations against our business model and verify the estimated cost reductions, so expect to hear more in the months ahead.

Finally, you may have heard that we have considered the possibility of offering an option in 2009 to leave the company during a voluntary window. While this is an option we may eventually choose, we have decided that we will not provide this option before the end of this year. We expect to announce a final decision regarding a voluntary opportunity, if offered, in early 2010.

Our challenges are real, but we're entering this period of change from a position of strength. I'm convinced these actions are the right ones to reposition our company to succeed in the new business environment.