DUKE ENERGY CORPORATION
139 East Fourth St.
PO Box 960
Cincinnati, OH 45201-0960

February 21, 2008

Mr. Tim Caudill
President
Local 5541-06, USW

Mr. Steve Feldhaus
Business Manager
Local 1347, IBEW

Mr. Mike McAlpin
President
Local 12049, USW

Re: Routine Work LMEC – Company Response to Union Request

Dear Gentlemen:

On January 11, 2008, we held another meeting pursuant to the Labor Management Executive Committee (LMEC) process with the Unions and the Company to discuss the outsourcing potential of gas & electric disconnects, reconnects, and credit-on orders (herein defined as "routine work"). As you may recall, the purpose of the meeting was to review the Company's response to the Unions' proposal to keep the routine work in-house (see attached Exhibit "A").

After reviewing the Company's response in the meeting, the Unions requested the Company to provide them with the details of what it would take for the Unions to be competitive with the vendor's negotiated pricing and thus keep the routine work in-house. The Company agreed to gather the requested information and provide such details to the Unions at the next scheduled LMEC meeting.

Company's Response to the Unions' January 11th Request

As stated in the Unions' October 11, 2007 proposal, all routine work would be performed by the existing Meter Repairer and DNP Worker job classifications at the proposed rate of $19.00. Based on the Company's evaluation, the maximum, unloaded hourly rate for these classifications would need to be $15.71 to be competitive with the vendor's negotiated pricing. See attached Exhibit "B" for details supporting the $15.71 hourly rate.

If the parties agreed to proceed to keep the work in-house, this new wage scale would be effective immediately for all newly hired employees into the Meter Repairer and DNP Worker job classifications. In addition, the maximum unloaded hourly rate of $15.71 would be effective immediately for all existing employees within the Meter Repairer and DNP Worker classifications; as well as, for all existing employees reassigned to these

classifications (maximum of 39 existing employees from other classifications to be reassigned to these classifications).

In addition, a minimum 10% productivity improvement in terms of number of routine work orders completed daily must be accomplished by all employees within these classifications.

Our next scheduled meeting between the Unions' leadership and the Company is scheduled for Thursday, February 28, 2008 at 9:00 a.m. in the Queensgate Cafeteria. As we are reaching the conclusion of the LMEC process, please come prepared to discuss the Company's response to the Unions' leadership request. We look forward to resolving this matter with you.

Sincerely,

Don Schneider

Don Schneider
GM, Construction & Maintenance

Attachments

cc: J. Alvaro
J. Baird
J. Mehring