

# EMPLOYEE MERGER QUESTIONS

(Set 4)

## Duke Energy and Progress Energy Shared Questions

**Will employees with previous years of service at either Duke or Progress get credit for those years in their benefits once the merger takes place?**

Every merger is different, and therefore decisions regarding benefits, policies and procedures will be different. This is one of the many questions the integration team will address during their planning process.

**Can you give more detail as to what will fall under each of the nine executives in the combined company? What is meant by customer operations, regulated utilities, etc.?**

Right now, there are not many details regarding functions under each executive in the new company. Starting this month, about 60 functional teams are embarking on the **data gathering and analysis phase** of the integration planning process, when the teams will compare current operating models, organizations and best practices at both companies. This information will be used to develop the organizational structure of the new company during the **integration design phase**. Once the design phase is complete, currently targeted for the end of the third quarter, the integration leads will provide more detailed information on what the new company will look like, including descriptions of each major functional area.

**How will the merger impact the pension plan and retirement benefits?**

The integration teams will review pension programs as part of a comprehensive look at all compensation and benefit programs and will determine the appropriate approach for the merged company.

**On the merger timeline there is a deliverable, “communicate high-level employee total rewards program.” What will this include?**

Following a comprehensive review of each company’s programs, an overview of the total rewards philosophy for the merged company will be communicated. This philosophy will then be used as the basis for our approach in structuring total rewards items such as pay, incentives, retirement, health and wellness and other employee benefits for the merged company post-closing. Communicating the high-level employee total rewards program is anticipated during the fourth quarter.

**What is the difference between an integration functional team lead versus functional team co-lead? What was the rationale for choosing one person as a lead and another as a co-lead? When will they assume their roles?**

The integration functional lead, often referred to as an IL, is responsible for a broad function, such as finance. Reporting to the ILs are team leads and co-leads from each company who will address more specific areas within the function. The team lead and co-lead will work closely throughout the integration process to examine current operating models, processes and practices for their specific

function. The team co-lead is the backup for the team lead. There are approximately an equal number of team leads and co-leads from each company. A kickoff session for these individuals was held on March 8-9. These teams will begin work immediately to conduct the data gathering and analysis phase during March through May.

**If this is truly a merger (versus a buyout of PGN by Duke), why is the name the "New Duke Energy" being used in communications now? If it's a merger, why not select a new company name that better describes the new entity?**

Both companies have a rich history with over a century of service. The brand equity that's been built in serving customers and supporting communities over this time provides tremendous value going forward. The new Duke Energy will be able to capitalize on its strong reputation with all stakeholders. Also, using the Duke Energy name provides a significant cost savings over transitioning to a new name.

**Will a voluntary exit program be offered to employees? If so, what will be the minimum age?**

The feasibility of a voluntary exit program, as well as the timing and parameters of any such program, will not be known until a thorough assessment of workforce needs is conducted for the new Duke Energy. This assessment will be part of the integration planning process. A timeframe for this decision is not yet known.

## **Progress Energy Questions**

**Can Duke and Progress provide data about their previous mergers involving Cinergy and Florida Progress (e.g., job consolidation/losses)? How would this merger be similar and different compared to these previous mergers in terms of how it might affect job consolidations and losses?**

No two mergers are the same. What makes this one so different is that it involves two contiguous utilities. The examples mentioned above are instances in which noncontiguous utilities merged. That's why comparing the numbers from the Cinergy and Florida Progress mergers won't be an accurate portrayal of what may happen as a result of the Progress Energy and Duke Energy merger. Although undoubtedly there will be impacts to the workforce, both at Duke and Progress, the exact details won't be known until we finalize the integration planning process. The two companies are working together closely to leverage lessons learned through previous mergers to ensure a smooth and successful transition.

Until this transaction closes, targeted for the fourth quarter of this year, the companies will continue to operate as separate entities. There will be no immediate staffing changes due to the merger.

As we work through our integration plans, we expect duplicate functions will be consolidated and some workforce reductions will occur post-close. Our goal is to minimize the number of job reductions at both companies by closely managing vacancies and normal attrition, such as retirements.

**Will owners of PGN stock purchased after the merger announcement receive shares of Duke stock that already reflect the reverse split when the PGN stock is converted? It seems to me that all owners of PGN stock, regardless of purchase date, would have to receive Duke stock in the merger that already reflects the reverse split.**

Yes, owners of PGN stock purchased after the merger announcement will receive shares that reflect the reverse split when the PGN stock is converted. Following receipt of the required regulatory approvals associated with the merger, the two companies will determine the date the merger will close. The reverse split of Duke shares will occur immediately before the merger closes. PGN shareholders of record as of the closing will then have their shares converted into Duke Energy shares according to the appropriate conversion ratio, which will reflect the reverse split of the Duke shares.

**There has been a great deal of media attention to the electric co-ops and municipalities who are members of ElectriCities (32 in Progress Energy's territory and 19 in Duke's territory) and their reaction to the proposed merger. The municipalities want Duke and Progress to assume their debts. Can this buy-back of debt be instituted on the two utilities as proposed by the municipalities and co-ops? Would a buy-back from municipalities even be considered?**

There is no plan to include the Power Agency debt in the merger of Progress Energy and Duke Energy. We believe the longstanding issue of debt incurred by certain municipalities is unrelated to the merger and is outside the scope of any required approvals to close the merger.