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Docket No. E-7, Sub 1017

**FILED**

JUL 27 2012

July 27, 2012

Clerk's Office  
N.C. Utilities Commission

Dear Ms. Mount:

I attach the resignation letters of Theresa M. Stone and John D. Baker II, submitted today to the Chairman of the Board and Lead Independent Director of Duke Energy Corporation, and copying the North Carolina Utilities Commission. I would therefore appreciate if you could bring these letters to the attention of the Commissioners.

Sincerely,

*Sandra C. Goldstein*  
Sandra C. Goldstein

Chief Clerk Gail L. Mount  
North Carolina Utilities Commission  
Dobbs Building  
430 North Salisbury Street  
Raleigh, NC 27603-5918

Encls.

VIA FEDEX AND FACSIMILE

(81)  
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Green  
Duffley  
Haver  
Sessions  
Kila  
Erica  
Jared  
Haber  
Giblin  
3 Legal  
3 Policy  
2 Econ  
3 Elec

July 27, 2012

The Chairman of the Board  
The Lead Independent Director  
Duke Energy Corporation  
526 South Church Street  
Charlotte, North Carolina 28202

**FILED**  
**JUL 27 2012**

Clerk's Office  
N.C. Utilities Commission

Dear Mr. Rogers and Ms. Gray:

My resignation from the Board of Directors.

I am deeply disappointed in the corporate governance practices of Duke Energy Corporation (the "Company") as evidenced by the meeting of the Company's Board of Directors on Monday, July 2, 2012 (the "Meeting"), and the ensuing events. I do not believe that I can contribute effectively as a Director in this environment. Therefore, I believe it is in the best interests of shareholders that I resign from my position on the Board of Directors of the Company and as a member of each of the committees of the Board of Directors of which I am a member, in each case effective immediately, in accordance with Section 3.05 of the Company's By-Laws. In light of the extensive publicity and public hearings surrounding the events related to the Meeting, I feel a responsibility to outline briefly my principal concerns regarding the Company's corporate governance practices in the hope that the Company will make needed changes for the benefit of its shareholders.

#### Conduct of the July 2 Meeting.

On the afternoon of the July 2 closing of the merger between Duke Energy and Progress Energy, the Board of Directors of the newly merged Duke Energy met via telephone to cover a pre published agenda of ministerial and organizational matters. These matters were addressed based on written materials provided in advance and they included the election, pursuant to the merger agreement, of Bill Johnson as CEO and of Jim Rogers as Executive Chairman of the combined company. At the conclusion of this full Board session, which took about 20 minutes, the Company's Lead Independent Director called for an executive session of the Board. She opened the executive session by stating that she would introduce a motion to remove Bill Johnson as CEO and appoint Jim Rogers as CEO.

No notice had been given to the six Progress independent directors who had joined the combined company Board that a change in the CEO position would be an agenda item at that Meeting; and no written materials had been, or were, provided at the Meeting to support removing Bill; nor were any materials provided to support the election of Jim. In response to numerous comments and questions by the Legacy Progress Directors on the reasons for Bill Johnson's removal, the sole reason, given repeatedly by Ms. Gray was Bill's leadership style.

During this executive session, the Legacy Progress Directors commented forcefully and positively on their experience with Bill's effectiveness at Progress as well as his leadership roles in key utility industry organizations and on their confidence in his strong qualifications for the CEO position in the combined company. The Legacy Progress Directors also expressed strong concerns that the precipitous CEO switch would create significant negative fallout among shareholders, regulators, rating agencies, employees and the recently elected impressive combined senior management team which had been chosen by mutual agreement of Progress and Duke. Concern was also expressed about the likely negative perception that would be created of Duke's corporate governance processes. Although the executive session lasted for well over an hour, no Legacy Duke Director other than Ms. Gray spoke about the Legacy Duke Directors' rationale for their actions nor did any Legacy Duke Director engage in any discussion of the points raised by the Legacy Progress Directors. Although Ms. Gray did speak, she did not engage in a dialogue on the comments, and eventually called for a vote.

It would be difficult not to conclude that the Legacy Duke Directors had come to the Meeting having made a decision to remove Bill and that Ms. Gray was going through the technical requirement to execute the decision to remove Bill by bringing the matter to a vote knowing that the Legacy Duke Directors would carry the vote through their majority position.

Stated rationale for the removal of Mr. Johnson as CEO.

The Legacy Duke Directors, with Ms. Gray as their spokesperson, gave no reasons other than perceived leadership style. Subsequent to the announcement of Bill's removal, additional concerns about Bill have been expressed by Legacy Duke Board members. However, none of those concerns was raised for discussion with the Legacy Progress Board Directors either in the eighteen months between the signing of the merger agreement and its closing or in the Meeting of July 2 where he was removed.

Stated rationale for the appointment of Mr. Rogers as CEO.

From the outset of the merger negotiations, it was understood between Progress and Duke that Mr. Rogers should not be the CEO of the combined company. It was surprising, therefore, that there was no discussion at the Meeting of why Mr. Rogers was now a good fit as CEO of the combined company or whether alternatives to appointing him as CEO had been discussed once the Legacy Duke Directors concluded that they were not going to move forward after the closing with Mr. Johnson as CEO.

Possible next steps for consideration to restore trust and confidence.

In light of the negative reaction among important constituencies to the corporate governance issues raised by the events described, I believe that the Company faces

major hurdles in restoring trust and confidence. I believe the Company needs to review its corporate governance and to take steps to address any deficiencies. I believe that an in depth review of complex and sensitive operational areas of both Legacy Progress and Legacy Duke should be completed and discussed promptly by the combined Board to arrive at a shared Board understanding of these issues. I would urge that the Board assume an active role in guiding the Company's approach to restoring the trust of regulators, rating agencies, investors, customers and employees. One step that would, in my view, go a long way to addressing the firestorm of concerns which have resulted from the actions of July 2 would be the immediate announcement of a well designed, formal CEO search process.

Sincerely yours,

/s/Theresa M. Stone

Theresa M. Stone

Cc:  
Corporate Secretary, Duke Energy Corporation  
North Carolina Utilities Commission

July 27, 2012

The Chairman of the Board  
The Lead Independent Director  
Duke Energy Corporation  
526 South Church Street  
Charlotte, North Carolina 28202

Dear Mr. Rogers and Ms. Gray:

The actions taken by legacy board members of Duke Energy Corporation ("Duke") during the July 2, 2012 meeting of Duke's new Board of Directors, and after, have revealed serious issues in Duke's corporate governance practices and procedures. I believe that I cannot effectively serve as a member of the Board in light of these issues. Therefore, in the best interest of Duke's shareholders, and in accordance with Section 3.05 of the Company's By-Laws, I hereby resign from my position on the Board of Directors of Duke, including from all Board committees of which I am a member, effective immediately.

As a result of these corporate governance issues, Duke is now under tremendous scrutiny by the media, markets and regulators. I believe that Duke needs to take immediate action to rectify these issues by thoroughly assessing its corporate governance practices and addressing any deficiencies. I also believe the Board should take a leadership role in the development and execution of the Company's strategy in dealing with the myriad problems caused by the actions taken at the July 2, 2012 meeting and after. Finally, I believe that the Board should immediately identify and adopt a process for selecting a new CEO, and institute that process as soon as possible. Only after taking these immediate steps will the Board be able to work together for the best interests of Duke's shareholders.

Sincerely,

/s/ John D. Baker  
John D. Baker II

CC:

The Company Secretary  
Duke Energy Corporation  
526 South Church Street  
Charlotte, North Carolina 28202

S. Finley, Jr., Chairman  
William Thomas Culpepper, III, Commissioner  
Bryan E. Beatty, Commissioner  
ToNola D. Brown-Bland, Commissioner  
Susan Warren Rabon, Commissioner  
Lucy T. Allen, Commissioner  
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