

2004-2006
PERFORMANCE REPORT

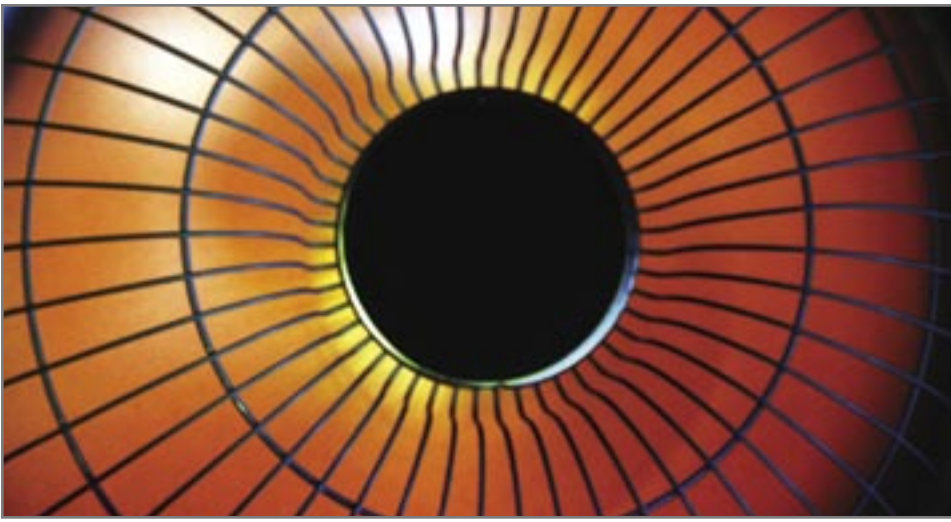


Assisting the communities of the Carolinas

Established by Duke Energy in 2004, AdvanceSC assists communities in Duke Energy's South Carolina service areas through grants for public assistance and economic development. The organization concentrates on advancing education to support industry, assisting other economic development organizations to attract and retain industries and enhancing the competitive position of manufacturers.

Duke Energy provides funding for AdvanceSC with 50 percent of its profits from certain wholesale or Bulk Power Marketing (BPM) sales of electricity in South Carolina. AdvanceSC is a limited liability company managed by a board of directors independent of Duke Energy.





Programs

PUBLIC ASSISTANCE PROGRAMS

Through The Duke Energy Foundation, Duke Energy and its customers in the Carolinas provide financial assistance to South Carolina citizens in great financial need through direct grants to Duke Energy's Share the Warmth, Cooling Assistance and Fan Heat Relief programs. AdvanceSC makes an additional annual allocation of at least \$650,000 to these public assistance programs to be administered jointly with the existing programs in South Carolina.

Once funding requirements for the identified public assistance programs are met, the remaining AdvanceSC funds are divided among education, economic development and manufacturing competitiveness programs.

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MANUFACTURING COMPETITIVENESS FUNDING (MCF)

Fifty percent of the remaining available AdvanceSC funds are allocated to the manufacturing competitiveness fund to strengthen the competitive position of existing manufacturing within Duke Energy's service area. Recognizing the community value in retaining existing manufacturing, the program provides financial assistance to manufacturers investing in applications that increase productivity, efficiency and reliability, or which reduce environmental impacts.

ECONOMIC DEVELOPMENT

Once funding requirements for the identified public assistance programs are met, 25 percent of the remaining available funds are designated for direct funding of economic development initiatives and for creating new sustainable manufacturing and manufacturing-related jobs within Duke Energy's service area in South Carolina.

Funds are provided to regional economic development partnerships and alliances, key chambers of commerce and county economic development organizations for the purpose of attracting new or expanding industries in the Duke Energy service area of South Carolina.

Specific project investment is considered where a broad base of community support exists and where Duke Energy would provide electric service.

EDUCATION

Economic conditions in South Carolina have created funding challenges for the high school, technical college and university systems in their efforts to be effectively positioned as key assets and leveraging tools in the state's economic development efforts.

AdvanceSC's education program is set up to help address some of this funding gap. Grants are awarded to support education programs related to manufacturing-based economic development efforts in Duke Energy's South Carolina retail service area. Specific programs eligible for support are:

- Technical college training programs that prepare the workforce to support new and existing manufacturing and related industry;
- College or university research and higher education programs that provide innovative solutions and competitive advantages for manufacturing and related industry;
- High school education programs that support workforce preparedness for manufacturing and related industry and increase graduation rates.



CLIFF HOWER

DIRECTOR OF GRANTS
SPARTANBURG COMMUNITY COLLEGE

AWARD RECIPIENT TESTIMONIAL

Over the past two years, Spartanburg Community College (SCC) has received four grants from AdvanceSC totaling \$997,678. Because of AdvanceSC's support, by January 2007 SCC will have 240 employees and prospective employees of 15 Upstate businesses enrolled in apprenticeships or other company training emphasizing advanced manufacturing.

These apprenticeships and SCC's training facilities teach critical skills for cutting-edge production systems such as mechanics, electronics, fluid power and computer software as well as specific training for machine maintenance, machine tool and die machining, robotics, pipefitting and other fields. Both new and incumbent workers are engaged in skill training for well-paying jobs and promotions with Upstate manufacturers.

A portion of the funds from the AdvanceSC grants is also being devoted to renovating a 100,000 square foot vacant facility at the College's Tyger River Campus in Duncan, S.C. Space there will be dedicated to employee training for new companies that construct permanent facilities in the Upstate.

KEVIN LANDMESSER

VICE PRESIDENT

GREENVILLE AREA DEVELOPMENT CORPORATION

AWARD RECIPIENT TESTIMONIAL

Incentives in South Carolina are typically geared toward alleviating site and infrastructure costs. The beauty of the AdvanceSC fund is that it gives local developers the flexibility to help offset expenses prospects consider most important — sometimes this is infrastructure and site prep, but frequently relocation of key project personnel is a big concern and a huge expense.

AdvanceSC supported us in recruiting Timken Research & Development facility to CU-ICAR by providing a unique \$100,000 grant for relocation of R&D equipment and R&D engineers. With the company moving in personnel from 30 states and seven countries, relocation was at the forefront of their concerns.

As we visit with site selection consultants nationwide, the AdvanceSC fund is always a major point of interest. Duke Energy recognizes it as a proactive measure and a unique advantage for us in recruiting — in essence a “mini” closing fund.

AdvanceSC is more than a sales tool — it is a powerful marketing tool to help us favorably position the Upstate of South Carolina.





P. LARRY TRIPLETT

PROCESS MANAGER
RR DONNELLEY

AWARD RECIPIENT TESTIMONIAL

AdvanceSC's Manufacturing Competitiveness Fund (MCF) statement reinforces our own commitment to our shareholders, employees and community to remaining a viable, strong, competitive and profitable organization.

To this end, RR Donnelley has participated in MCF since its inception. Our most recent project was to purchase and install an electrode boiler to reduce the plant's dependence on the volatile gas market and take advantage of a more efficient steam generation system. RR Donnelley-Spartanburg expects to reclaim the investment in less than two years. The funding received from AdvanceSC will contribute to the offset of this investment.

We can only honor our commitments by staying focused on our customer satisfaction and manufacturing costs and by partnering with service organizations — such as AdvanceSC — who share the same goals.



Financial Summary

