

**Charter of the  
Corporate Governance Committee  
of the Board of Directors  
of Cinergy Corp.**

**I. Purpose**

The purpose of the Corporate Governance Committee (the "Governance Committee") is to identify individuals qualified to become board members, consistent with criteria approved by the Board, and to select, or to recommend that the Board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the Board a set of corporate governance principles applicable to the Company; and oversee the evaluation of the Board and management.

**II. Membership**

The Governance Committee shall be comprised of three or more members, all of whom must qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange and other applicable rules and regulations.

The members shall be nominated by the Governance Committee for full Board approval and appointed annually to one-year terms by the Board. The Governance Committee shall recommend to the Board for approval, one member of the Governance Committee as Chair. The members shall serve until their resignation, retirement, or removal by the Board or until their successors shall be appointed and qualified. No member of the Governance Committee shall be removed except by majority vote of the Independent Directors of the Board then in office.

**III. Meetings and Procedures**

1. The Governance Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter.
2. The Governance Committee shall meet at least two times annually and more frequently as circumstances require.
3. The Chair of the Governance Committee or a majority of the members of the Governance Committee may call a special meeting of the Governance Committee.

4. A majority of the members of the Governance Committee shall constitute a quorum.
5. The Governance Committee may form subcommittees for any purpose that the Governance Committee deems appropriate and may delegate to such subcommittees such power and authority as the Governance Committee deems appropriate; provided, however, that:
  - (a) No subcommittee shall consist of fewer than two members, and
  - (b) The Governance Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Governance Committee as a whole.
6. The Governance Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Governance Committee, attend any meeting of the Governance Committee to provide such pertinent information as the Governance Committee requests.
7. Following each of its meetings, the Governance Committee shall deliver a report on the meeting to the Board, including a description of its findings and recommendations and all actions taken by the Governance Committee at the meeting.
8. The Governance Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

#### **IV. Responsibilities and Duties**

The Governance Committee shall have the following duties and responsibilities:

##### **Board Compensation**

1. To determine director and committee member/chair compensation for those directors who are not also employees of the Company.

##### **Implement Policies Regarding Corporate Governance Matters**

2. To recommend to the Board policies to enhance the Board's effectiveness, including with respect to the distribution of information to Board members, the size and composition of the Board, and the frequency and structure of Board meetings.
3. To develop and review periodically, and at least annually, the corporate governance policies of the Company to ensure that they are appropriate for

the Company and comply with applicable laws, regulations and listing standards, and to recommend any desirable changes to the Board.

4. To create and recommend to the Board for adoption, and maintain therefor, a Code of Business Conduct and Ethics for directors, officers and employees, and to review such code at least annually and recommend any desirable changes to the Board.
5. To consider any other corporate governance issues that arise from time to time, and to develop appropriate recommendations for the Board.

#### **Assess Board Membership Needs and Recommend Nominees**

6. To determine what types of backgrounds are needed to help strengthen and balance the Board and to nominate candidates to fill vacancies accordingly, always being sensitive to the emergence of outstanding talent among minority groups and women.
7. To be constantly alert to the needs of the Board and maintain an active file of suitable candidates for consideration as nominees to the Board, which candidates may include, if the Governance Committee deems it advisable, candidates recommended by the Chief Executive Officer, other members of the Board and Cinergy shareholders. In compiling the file, the Governance Committee shall consider, where appropriate, the independence of each candidate.
8. To consider the competency of the Board as a whole in the following areas, with at least one director contributing knowledge, experience and skill in each area: (i) accounting and finance; (ii) business judgment; (iii) management; (iv) crisis response; (v) industry knowledge; (vi) international markets; (vii) leadership; and (viii) strategy/vision.
9. To assess, on a regular basis, the skills and characteristics needed by the Board in the context of the current status of the Board. Skills and characteristics to consider are: (i) mature judgment; (ii) diversity; (iii) experience; (iv) skills; (v) accountability and integrity; (vi) financial literacy; (vii) high performance standards; (viii) time; (ix) other board appointments; (x) industry knowledge; (xi) networking/contacts; and (xii) degree of independence from management.
10. To conduct annual evaluations of each director.
11. To recommend to the Board the slate of nominees of directors to be elected by the shareholders and any directors to be elected by the Board to fill vacancies. Recommendations should include a review by the Governance

Committee of the performance and contribution of fellow directors as well as the qualifications of proposed new directors.

### **Make Recommendations Regarding Committee Memberships**

12. To recommend to the Board those directors to be selected for membership on, or removal from, the various Board committees. Recommendations should consider the qualifications for membership on each committee, the extent to which there should be a policy of periodic rotation of directors among the committees, and any limitations on the number of consecutive years a director should serve on any one Board committee.
13. To recommend that individual directors be designated as chairs of Board committees, particularly those that perform oversight functions, i.e., Audit and Compensation Committees.
14. To be involved with management in reviewing director and officer insurance needs and the means of satisfying them.

### **Evaluation of the Board and Management**

15. To sponsor and oversee performance evaluations for the Board as a whole, the directors and management.
16. To monitor director performance, counsel those who may be found wanting and, when necessary, steer low-performance directors away from standing for reelection.

## **V. Performance Evaluation**

1. The Governance Committee shall conduct a self-evaluation of its performance annually.
2. In conducting this review, the Governance Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope.
3. In conducting this review, the Governance Committee shall address all matters that it considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Governance Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Governance Committee were adequate for the Governance Committee to complete its work in a thorough and thoughtful manner.

4. The Governance Committee shall deliver to the Board a written report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies and procedures, which shall then be discussed with the full Board and acted upon as appropriate.

## **VI. Investigations and Studies; Outside Advisors**

1. The Governance Committee may conduct or authorize investigations into or studies of matters within the scope of the Governance Committee's duties and responsibilities, and may retain, at the Company's expense, and in the Governance Committee's sole discretion, such as it deems necessary.
2. The Governance Committee shall have the sole authority to retain or terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms, such fees to be borne by the Company.