



## Conference Call Transcript

**DUK - Duke Energy International Informational Conference Call**

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Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

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## CONFERENCE CALL PARTICIPANTS

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## PRESENTATION

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**Operator**

Good day, everyone. Welcome to the Duke Energy International call. As a reminder, today's call is being recorded. At this time for opening remarks, I would like to turn the call over to Mr. Bill Currens, General Manager Investor Relations. Please go ahead, sir.

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**Bill Currens - Duke Energy Corporation - General Manager, IR**

Good afternoon and thank you for joining us today. I am Bill Currens, General Manager of Investor Relations. In today's session, Keith Trent, group executive and president of our commercial businesses, and Andrea Bertone, president of Duke Energy International will discuss our international businesses, Duke Energy International. Additionally, Lynn Good, Duke Energy's chief financial officer, will be available during the question and answer session. As many of you know, Duke Energy has had a history in the past of providing investor deep dives around topical areas of interest. This is a continuation of those efforts. We will have time for your questions after Keith and Andrea's prepared comments.

Additionally, we have included supplemental information in the appendix to this presentation, which can be found on our website. Before we begin, let me remind you that today's discussion is being webcast and it will include forward-looking information, and the use of non-GAAP financial measures. You should refer to the information on this slide as well as additional information contained in our SEC filings concerning factors that could cause future results to differ from this forward-looking information. A reconciliation of non-GAAP financial measures can be found on our website.

With that, I'll turn the call over to Keith.

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

Thank you, Bill, and welcome everyone. Let me first apologize for my raspy voice. I am suffering from a summer cold unfortunately, but hopefully you'll be able to understand me. Let me start today's discussion with an overview of how the international business segment fits within Duke Energy's total business mix.

As you can see on the pie chart on slide three, Duke Energy is a principally regulated business mix. Based upon our forecasted 2010 adjusted segment EBIT, our regulated business segment, U.S. Franchised Electric and Gas represents about three quarters of our business while our non-regulated businesses, Commercial Power and Duke Energy International comprise about a quarter of the business mix. Because our International segment is the subject of today's discussion, we've highlighted the approximate 14% adjusted segment EBIT contribution we expect from that segment in 2010.

Historically the operations within our International segment have produced long-term adjusted EBIT growth and we expect International to contribute to Duke Energy's consolidated growth into the future. Our international operations also provide Duke Energy with earnings diversity through a clean energy platform consisting principally of hydroelectric generation. This generation is highly contracted, minimizing exposure to spot markets.

The map on slide four highlights the areas in which we own electric generation in Central and South America. It also shows our 25% investment in National Methanol, located in Saudi Arabia. As many of you know, we made our initial investments in Brazil and Peru in the mid to late 1990s, which has given us significant operating history in these countries. Additionally, Duke and its predecessor companies were among the founding investors in National Methanol, which was formed in 1981. Our local management teams have experience in navigating the regulatory and political regimes in each of their respective countries.

Andrea Bertone, president of Duke Energy International, and a native of Sao Paolo, will give you greater details on the depth of our local management teams. As of the end of 2009, we had approximately \$3 billion of capital invested in Duke Energy International. In Latin America, we are the fourth largest investor owned generator with approximately 4,200 megawatts of generation. About 70% of the owned generation is hydroelectric, while the remaining capacity is gas and liquid fuels. We have operations located in Brazil, Peru, Argentina, Ecuador, as well as Guatemala and El Salvador in Central America.

The inset in the map shows our investment in National Methanol, a producer of methanol and MTBE, which are chemical compounds that have various commercial uses. Historically, this business has produced strong cash and strong returns. Because the prices of NMC's products are correlated with changes in crude oil prices, we experience more commodity exposure with that business than our other international businesses; however, we have partially mitigated the impact of NMC's commodity exposure to Duke Energy International through both the stable growth and the fuel mix of our Latin American businesses.

As a whole, our international assets have produced sustained earnings growth. We've grown DEI's adjusted segment EBIT from around \$300 million in 2006 to over \$400 million in 2009, and we're projecting approximately \$485 million this year. As highlighted in the pie chart on this slide, over 90% of DEI's projected 2010 adjusted segment EBIT is expected to come from our operations in Brazil and Peru as well as our earnings from our National Methanol investment. In view of that, we will concentrate today's discussion on those three key areas of our international business.

With that, I'll turn it over to Andrea.

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**Andrea Bertone - Duke Energy Corporation - President - Duke Energy International**

Thank you, Keith. I am delighted to have the opportunity to discuss our international business with you today. Since I am new to many of you, I'll start with my background. I joined Duke Energy International in 2001, and assumed my current role as president of Duke Energy International in mid-2009. Prior to becoming president, I was general counsel for DEI, and in that role, I acquired significant knowledge about our assets and all of the legal and regulatory environments that we face. This background has served me well as I have transitioned into my current role.

Since assuming my current position, the primary focus of our international business has been continuing to focus on efficient operations, developing a pipeline of projects that is consistent with our strategic vision, and completing the generation projects we have had under way in Peru, Brazil and Guatemala. In fact, we recently completed a 197-megawatt natural gas plant in Peru. As Keith mentioned, I will focus on the three principal components of the international business, Brazil, Peru, and our investment in National Methanol. I'll start with Brazil, which comprises approximately 50% of both DEI's generation capacity and its expected adjusted segment EBIT contribution for 2010.

Our Brazil portfolio consists of eight hydro plants with over 2,000 megawatts of installed capacity. These plants are on the Paranapanema River in the state of Sao Paulo. Duke Energy International acquired ownership interest in these assets in 1999 through a privatization process and currently owns approximately 95%. Since January 2010, Armando Henriques, a Brazilian national, has led our experienced management team in Brazil. Armando has over 27 years experience in different countries with a primary focus in Brazil. Prior to joining Duke, Armando was country manager in Italy, Spain and most recently Brazil for a global energy company. He has a deep understanding of the Brazilian regulatory structure as well as the electricity market in that country.

Our strategy in Brazil is to create a highly contracted portfolio through contracts averaging approximately five years in term. Under Brazilian regulations, we can contract up to approximately 50% of the installed capacity for our hydro facilities. More specifically, we can contract up to around 1,000 megawatts of the approximate 2,000 megawatts of owned generation. This allowed contractible generation provides a sharing mechanism for periods of dry hydrology. It ensures that generators can meet their contracted commitments without significant exposure to the spot markets. The government sets the level of allowed contractible capacity based on past hydro conditions and availability of the plant. Therefore, when we refer to contract percentages of 98%, it is actually 98% of the capacity available to contract.

Historically, we have contracted 95% to 100% of the contractible capacity. The graph on the bottom left of the slide shows current levels of contractible capacity under contract for 2010 through 2014. The contracts, escalated for inflation, are with two major groups, distribution companies and large industrial and commercial customers. Distribution companies secure their contracts with generators through government run auctions. In the auctions, distribution companies determine demand and the government sets a ceiling price. The bids from the generators must be below the established ceiling price.

The government awards contracts at the lowest bid price first and then escalates to higher bids until they fill the demand. Large industrial and commercial customers may secure their contracts directly with generators. These groups make up approximately 35% of the overall demand in Brazil. Usually, the price set in these bilateral contracts is higher than the price set for distribution companies in the auctions, but below the regulated price distribution companies charge for electricity.

Any generation not under contract is available to be sold in the hydro pool and/or spot market. A central system operator dispatches generation based upon availability and cost of operation. The price in the spot market is determined by the system operator based on an optimization model of the entire system. Keep in mind that approximately 4% to 5% of all DEI sales in Brazil are in the spot market, so they are not a significant revenue driver. Instead, spot revenues are more a supplement to our stable contract revenues.

The hydro pool is another way hydrology risk is spread among all hydro generators in different river basins throughout Brazil. In the instance of a severe dry condition in a particular region, Brazilian regulations provide for sharing of the results and financial impacts across the entire system. In summary, our Brazil operations provide a stable stream of revenues that is not significantly exposed to fluctuations in the spot markets.

Our Peru portfolio consists of total owned capacity of 825 megawatts with a fuel mix of hydro, natural gas, and liquid fuel that provides diversity. Our two primary asset groups in Peru are Egenor and Aguaytia. The Egenor generating assets, which we originally purchased in 1999, are located in northwestern Peru. Egenor's generation consists of two hydro facilities with capacity of around 374 megawatts, as well as six peaking thermal plants comprising around 78 megawatts. Additionally, we recently completed the Las Flores natural gas plant. The hydro facilities operate as base load plants and the thermal plants are dispatched during dry seasons, giving us protection in periods of low rainfall.

Aguaytia produces, processes and transports natural gas, sells liquefied petroleum gas and generates, transmits and sells electricity produced from a 177 megawatt simple-cycle natural gas facility. We were involved as a minority partner in the original development and construction of the Aguaytia project, which began operations in 1998. We purchased additional interest in the project over the past decade and now own 100% of the projects.

Since 2009, our Peru business has been lead by Mark Hoffman, a native of Peru. Mark joined Duke in 2008 and has over 13 years of experience in the electric sector. Prior to joining Duke, he was CEO of another electric generator in Peru. Similar to our Brazilian team, the management team in Peru has extensive experience with the local country regulatory regime and electricity markets. Under Peru's regulatory mechanisms, between 90 to 100% of our generation receives the capacity payment from one or two sources - either the counterparty to a contract or from the system when we sell into the spot. As opposed to Brazil, where regulators set the level of contracting, DEI management establishes and monitors the optimal level of generation contracted in Peru.

Several factors such as expected fuel supply, hydrology and planned outages influence the amount we choose to contract. By maintaining a level of contracted generation below 100% of capacity we lower the risk of having to purchase high priced generation from the market if capacity is

not available to satisfy our contractual obligations. At present, we have determined that the optimal level of contracting is approximately 65% of our installed capacity. The majority of this amount has been contracted for 2010 to 2013.

Similar to Brazil, we contract our generation in Peru to distribution companies and large industrial and commercial customers. Pricing for distribution companies, which comprise approximately 80% of DEI's gigawatt hour sales in Peru is determined either by government run auctions or by bilateral contracts. Pricing for large industrial and commercial customers, which represent approximately 20% of our demand in Peru, is determined by bilateral contracts at negotiated prices and conditions. We sell uncontracted generation into the spot market. A central system operator dispatches the power plants based upon availability and cost of operation. Spot market pricing is based on the last unit dispatched.

Historically approximately 80% of revenue in Peru has come from contracted capacity. While this is less than in Brazil, our highly contracted generation in Peru provides a stable stream of earnings.

As Keith pointed out earlier, Duke Energy has an equity investment and is currently a 25% owner in National Methanol, a regional producer of methanol and MTBE located in Saudi Arabia. This investment was created by a joint venture agreement with SABIC and Celanese signed in 1981. Duke obtained the investment through our acquisition of PanEnergy in 1997. Originally, this joint venture was set to expire in 2012, but as highlighted during our first quarter 2010 earnings call, we have extended it for 20 years to 2032. I will discuss more about the extension in a minute.

NMC has historically provided us with a strong earnings stream. Our share of NMC's earnings has typically contributed approximately 20% to 30% of International's adjusted segment EBIT and we expect that to continue in 2010. As I mentioned earlier, NMC's earnings are positively correlated to price movements in crude oil. To provide you a level of sensitivity of National Methanol's earnings to changes in crude oil prices, each approximate \$10 barrel change in the average annual price of WTI crude oil has roughly a \$0.01 earnings per share impact on an annual basis. Our original 2010 expected segment EBIT contribution from National Methanol was based upon assumptions for an average price of crude of around \$80 per barrel.

As I mentioned on the previous slide, earlier this year we announced an extension of the NMC joint venture for an additional 20 years until 2032. We are pleased with this outcome and the continuation of NMC's earnings. As part of the negotiations to extend the JV, it was agreed that NMC would build a 50,000-ton polyacetal (or POM) facility in Saudi Arabia at an estimated cost of \$400 million to \$500 million. POM is an engineering thermoplastic used to make precision parts. Construction of the POM facility is expected to begin sometime in 2011 and we anticipate the plant will be operational by the end of 2013.

Our share of the equity capital investment for the POM production facility is 17.5% and will be self-funded from DEI's proportionate share of National Methanol's cash distribution. We will retain our 25% ownership percentage in National Methanol until the facility becomes operational. At that time, our share of National Methanol's distributions will decrease to 17.5%. However, DEI will continue to retain its 25% Board representation and voting rights for National Methanol even after the POM facility becomes operational.

I will now turn the call back over to Keith to discuss Duke Energy International's financial metrics and strategic focus.

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Thank you, Andrea. Our primary financial metrics for the international business revolve around earnings, cash flows, and returns. First, let me draw attention to our earnings potential. As I highlighted in my opening remarks, Duke Energy International has produced long-term adjusted EBIT growth. Let me give you a few data points on both historical as well as a prospective basis. From 2006 to 2009, DEI produced an adjusted segment EBIT CAGR of approximately 9%. As we look forward to a base year of 2009, our earnings in International will be dependent upon drivers such as strong operations, contract pricing for generation, foreign exchange rates and commodity prices. Additionally growth in the international business will continue to depend on finding the right growth opportunities in which to invest at appropriate risk adjusted returns.

Next, our international operations generate approximately \$200 million to \$300 million of free cash flow on an annual basis, which represents cash flows before any capital expenditures. The International businesses are self-funding. We look for opportunities to redeploy that cash in our international business. Therefore, we do not anticipate the need for any cash infusions from Duke Energy Corporation. At March 31, 2010, we had cash and short-term investment in foreign jurisdictions of approximately \$700 million. We have several new generation projects under way and are continually looking for additional reinvestment opportunities. I'll stress again that any additional investments must provide appropriate returns and complement our risk profile.

Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

So what can you expect from Duke Energy International as we look forward? We will continue to maintain flexibility in evaluating strategic options; however, we will focus on the following key strategic areas.

First, we will continue to focus on our operational performance and cash flow generation.

Second, we will continue to evaluate opportunities to deploy offshore cash in generation projects. Our growth platform for the international business is dependent upon redeployment of earnings and cash flows into new growth opportunities. Historically, this growth has been accomplished through acquisitions as well as through new generation projects; however, we will deploy capital in a disciplined manner only if we identify growth opportunities with the appropriate returns that are consistent with our current risk profile. We recently completed and put into service a 197-megawatt simple cycle natural gas plant in Peru and we will continue with construction of two hydro facilities in Brazil with a total of 33 megawatts, as well as an 85-megawatt coal facility in Guatemala. The Guatemala plant should be completed by late 2010 or early 2011, and the hydro plants are expected to be completed by the end of 2011. As we look forward, our focus continues to be on Latin American markets that have strong GDP and electricity growth opportunities as well as stable political environments. Brazil and Peru, where the bulk of our assets are located, have stable and growing economies, rising electricity demand, and stable well established regulatory regimes. During the global economic crisis, Brazil and Peru's economies performed better than many developed nations. They also are bouncing back faster and stronger.

Finally, we will evaluate opportunities to optimize our current portfolio, which may involve monetizing certain assets.

In closing, I hope you leave this call with a better understanding of our international operations. Our reinvestment opportunities create earnings potential in support of Duke Energy's growth assumptions. Additionally, we remain focused on managing the risk profile of the business, by maintaining an optimal level of contracting for the generation. We will continue to evaluate the generation portfolio to ensure appropriate risk adjusted returns. Now, let's take your questions.

## QUESTION AND ANSWER

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### Operator

(Operator Instructions). Our first question is from Paul Patterson from Glenrock Associates. Please go ahead.

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### Paul Patterson - Glenrock Associates - Analyst

Good morning. Good afternoon, excuse me. How are you?

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### Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses

Good.

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### Paul Patterson - Glenrock Associates - Analyst

I wanted to ask you about the POM facility and the decrease in economic interest. Could you go through that, exactly what is going on there that I wasn't clear as to why your economic interest goes to 17.5%.

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### Andrea Bertone - Duke Energy Corporation - President - Duke Energy International

Well, as we mentioned, the JV was about to expire in 2012 and we wanted to negotiate an extension of the JV, and one of the requirements was to build this POM facility. Now one of the partners in this joint venture as you saw in the presentation is Celanese, and Celanese is the company that has the technology to build this POM facility. Duke has not, and so we negotiated with them that as soon as they are online with the POM plant because this is going to interfere with their market share, we would readjust the ownership to reflect the new technology that was brought to the table by Celanese.

Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

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**Paul Patterson - Glenrock Associates - Analyst**

Okay, so I guess I got that. The MTBE, there have been issues associated with it here in the United States and I was just wondering from a global supply and demand issue and what the outlook is there and how it may differ from the situation here in the US.

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**Andrea Bertone - Duke Energy Corporation - President - Duke Energy International**

Well, as you know, MTBE was banned in the United States but it continues to be a product that is widely used in Asia and in the EU countries and also in Saudi Arabia, and third party forecasts show that the MTBE still will continue to be used in those markets and in fact, our major markets for this product are Asia and Saudi Arabia.

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**Paul Patterson - Glenrock Associates - Analyst**

So the outlook for supply and demand is still positive.

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**Andrea Bertone - Duke Energy Corporation - President - Duke Energy International**

It's still positive, yes.

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**Paul Patterson - Glenrock Associates - Analyst**

Okay, and then in terms of the potential monetization of assets, could you elaborate a little bit more on that and what kind of areas will be more likely to be monetized than others?

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Paul, what I would say on that is that we look at the metrics that you would expect us to look at and that is we look at assets and the returns on assets and we look at opportunities for reinvestment and if we find assets that we think aren't producing returns that are satisfactory to us and we can reinvest in other assets by monetizing and going through a capital rotation that's what we do. So it is as simple as that.

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**Paul Patterson - Glenrock Associates - Analyst**

Okay, is there anything that seems particularly likely in terms of low returns?

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

I'll tell you one area we are currently evaluating and that is Central America is an area we are looking at as a possible capital rotation opportunity.

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**Paul Patterson - Glenrock Associates - Analyst**

Okay, great. Thanks a lot.

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**Operator**

Our next question from Hugh Wynne with Sanford Bernstein. Please go ahead.

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**Hugh Wynne - Sanford Bernstein - Analyst**

Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

Hi. Thanks for doing this by the way. This is helpful. Can you talk about the historic growth in EBIT at the segment, the sort of 9% annual growth from 2006 and then you point out there's \$200 million to \$300 million of annual free cash flow, wonder if you could comment on what were the primary drivers of that growth and how they may continue or not in the years ahead, and similarly, perhaps comment on this annual free cash flow and whether you see that moving in the same range in the future or being reduced for example, by your investment in Saudi Arabia?

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**Andrea Bertone - Duke Energy Corporation - President - Duke Energy International**

Yes. Hi, Hugh. Good afternoon. The main drivers for our growth in Latin America are basically hydrology, FX, mainly in Brazil, demand growth and commodity mainly for NMC. With respect to the cash flows, we do expect to continue these annual cash flows in the same levels of \$200 million to \$300 million a year. That's what we have projected.

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**Hugh Wynne - Sanford Bernstein - Analyst**

Okay, so it sounds to me like we shouldn't under normal circumstances be expecting a great deal of growth going forward if the hydrology of the last several years were to continue, that part of the driver, this long term improvement was an improvement from a poor hydrology year; is that correct?

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Well what I would say on that Hugh, is that we continue to look for growth opportunities in terms of new investment and so that certainly would be a driver of additional growth, and as we see electricity demand growing in these countries, the GDP for example, in Brazil and Peru is very strong and unlike the United States, the electricity demand sort of multiplier off of GDP is probably more than one-time, so that demand I think has the opportunity to drive the price increases and those sorts of things, so I think you can't take one factor in isolation. I think you have to take these multiple factors in considering future growth.

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**Hugh Wynne - Sanford Bernstein - Analyst**

Right, so future growth would be driven primarily to the extent you can reinvest this capital and add capacity.

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Yes, I think it's reinvestment as well as potential for price changes, yes.

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**Hugh Wynne - Sanford Bernstein - Analyst**

What is the expected trajectory of earnings at National Methanol after this additional investment has been made and the share ownership has been reduced from 25 to 17.5? Do you expect that segment to continue to produce the same base level of earnings as before or would it be expected a material increase or decrease?

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**Andrea Bertone - Duke Energy Corporation - President - Duke Energy International**

Well, the POM plant will be in operation only in 2013 so we think this is still too far away for us to be making any projections but if you look at our presentation, our assumption right now is that probably we're not going to have any changes in the level of earnings except for the adjustment for the reduction in ownership.

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**Hugh Wynne - Sanford Bernstein - Analyst**

So in other words, the earnings of the JV you think can be thought of as stable but you should be expecting a slight decline in your share of those stable earnings?

Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

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**Andrea Bertone - Duke Energy Corporation - President - Duke Energy International**

Consistent with the decline in ownership.

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**Hugh Wynne - Sanford Bernstein - Analyst**

Okay, great. Good. Thank you very much.

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**Operator**

We'll go to our next question, Jonathan Arnold with Deutsche Bank. Please go ahead.

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**Jonathan Arnold - Deutsche Bank - Analyst**

Good afternoon.

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Hello, Jonathan.

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**Jonathan Arnold - Deutsche Bank - Analyst**

Hi there. My question is it's again on the National Methanol story and just out of curiosity, what would have happened if you hadn't extended the JV to the capital that's there and I guess the earnings that you were otherwise receiving under the current arrangement?

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Right. The JV was set to expire mid 2012 and under the terms of the joint venture, there were some certain termination clean up if you will and potential for claims with respect to the I guess residual value, but our evaluation was that the extension of the JV was far far superior, one in value and two in certainty of outcome but it would have expired, there would have ended the dividend stream at that point and then there's either a negotiated or a litigated outcome in terms of ending value.

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**Jonathan Arnold - Deutsche Bank - Analyst**

And then wouldn't there be a return of capital or anything like that, would there?

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

I wouldn't characterize it as a return of capital. There would be some negotiation regarding the value of that existing facility.

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**Jonathan Arnold - Deutsche Bank - Analyst**

Okay. Thank you. Separate topic, your CEO has been heard to mention in public the possibility of bringing other kinds of investors to bear on potential future investments in I think Latin America, particularly Chinese partners. Can you talk at all about anything you may be working on that front?

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

Right, right. We have been talking to parties in China. I would tell you that the primary emphasis really so far in that arena has been on information sharing and especially focused on clean coal technology, and some smart grid technology and that sort of thing, but we also have been gauging potential interest in and co-investing with us in South America as well as potentially in North America. What I would say to you on that front is it's really too early to tell whether anything happens on that front but we're certainly talking to them and exploring possibilities.

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**Jonathan Arnold - Deutsche Bank - Analyst**

And would that imply somewhat of a material step up in the type and scale of capital you might be looking to deploy in South America?

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

No, I wouldn't say that. I think it would just be looking at partnering, but I would not expect any sort of major step up in the amount, and certainly, the game plan is and will be for this to be self-funding, so we're not looking to bring any capital from the parent in here.

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**Jonathan Arnold - Deutsche Bank - Analyst**

Thank you very much.

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**Operator**

For our next question from Daniele Seitz with Dudack Research.

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**Daniele Seitz - Dudack Research - Analyst**

Thank you. Actually, I was wondering what is the procedure to start a new project? Does it come through an auction process or a bidding process or is it just your initiative for closing a plant?

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**Andrea Bertone - Duke Energy Corporation - President - Duke Energy International**

It depends, Daniele, in what country you're wanting to build a project. In Brazil if you want to build a gas or a hydro plant, you have to go through a bidding process that is set up by the government and you participate with your project and you may or you may not win and if you do win usually the project comes with a 15-year contract that will guarantee your returns. In other countries such as Peru, for instance, you can just go and build your project provided that you get the necessary licenses.

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**Daniele Seitz - Dudack Research - Analyst**

And currently you're not participating in any of this bidding process in Brazil right now?

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**Andrea Bertone - Duke Energy Corporation - President - Duke Energy International**

Right at this very moment, no.

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**Daniele Seitz - Dudack Research - Analyst**

Okay, thank you so much.

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**Operator**

Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

(Operator Instructions). Our next question is from Raymond Moore with Wellington Shields. Please go ahead.

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**Raymond Moore - Wellington Shields - Analyst**

Good afternoon. I have a question I wonder if you could bring it down to returns on common, because you do report on a EBIT basis, and I ask that for two reasons. It looks as though when I look at your statements, the international equity earnings earned about \$72 million. This is last year, and that was on an investment of \$153 million, so that would indicate that the almost \$4 billion in investments you show also in your 10-K which we would then have to reduce by interest and taxes, so I just wonder if you could give us some framework of what are the returns on equity that you look for and what other returns on equity that you were earning.

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**Lynn Good - Duke Energy Corporation - CFO**

This is Lynn Good. What I might suggest--

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**Raymond Moore - Wellington Shields - Analyst**

I'm not an EBIT person, Lynn.

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**Lynn Good - Duke Energy Corporation - CFO**

And I appreciate that. What I might suggest on that question is that Bill Currens, our Director of Investor Relations follow-up with you and walk you through that information.

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**Raymond Moore - Wellington Shields - Analyst**

Okay, because it looks to be, the returns look to be in the low teens, excluding the NMC investments.

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**Lynn Good - Duke Energy Corporation - CFO**

We'll follow-up with you on that.

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**Keith Trent - Duke Energy Corporation - Group Executive, President - Commercial Businesses**

Right. Thank you.

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**Raymond Moore - Wellington Shields - Analyst**

Okay, thank you.

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**Lynn Good - Duke Energy Corporation - CFO**

Thank you.

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**Operator**

Our next question is from Hugh Wynne with Sanford Bernstein. Please go ahead.

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**Hugh Wynne - Sanford Bernstein - Analyst**

Jun 28, 2010 / 02:00PM EDT, DUK - Duke Energy International Informational Conference Call

I was wondering if you could comment at all on potential, the potential for tax changes that might cause you to repatriate the money you have abroad?

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**Lynn Good - Duke Energy Corporation - CFO**

Hugh, this is Lynn. We've been closely following all of the tax proposals that have been dealt with, in the House and the Senate. We've put the passage of some of those provisions at a low probability for this year, but certainly, if the taxing scheme changes in such a way that it's not advantaged to leave it offshore, that would be a reason for us to begin repatriating. As you know, or may know, we also have used provisions like the Homeland Security Act back in 2005 to repatriate when there have been opportunities to do so in a tax-advantaged way.

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**Hugh Wynne - Sanford Bernstein - Analyst**

All right, so in essence, would that be a guide as to what you would likely want to do in the future of these funds which given the opportunity would make sense to bring back to the US, or do you prefer to leave them where they are?

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**Lynn Good - Duke Energy Corporation - CFO**

What I would say is if we could find a way to do so in a tax-advantaged way we would take advantage of that like we did in 2005 and I think our preference has been to invest in countries but we continue to evaluate options and we'll do so including looking at tax structuring and other matters.

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**Hugh Wynne - Sanford Bernstein - Analyst**

Great. Thank you.

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**Operator**

This concludes today's question and answer session. At this time, I would like to turn the conference back over to Mr. Bill Currens for any additional comments or closing remarks.

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**Bill Currens - Duke Energy Corporation - General Manager, IR**

Thank you, Lisa. We appreciate each of you joining us today and as always, the Investor Relations team is available for any follow-up. Our next webcast will be the second quarter earnings conference call, which is scheduled for Tuesday, August 3 at 11, AM Eastern. Have a great remainder of the day. Thank you.

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**Operator**

This does conclude today's conference call. Thank you for your participation.

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