Daniel Ford - Analyst, Barclays Capital, Inc.

Right, here we go. All right. Welcome back, everyone. So, our next presentation is going to be from Duke Energy. We have Lynn Good, who is the CEO, who is going to take us through Duke's story. Lynn?

Lynn J. Good - Chairman, President & CEO, Duke Energy Corp.

Thank you and thanks to everyone who is here. It's really my honor to represent Duke Energy. And I have a presentation that gives you a little bit of a preview of who we are and our strategy, but talks more specifically about some current events that will bring you up-to-date on the Duke story.

The first slide gives you an overview of Duke Energy. We are one of the largest regulated gas and electric infrastructure companies in the country. And this slide really captures the three segments that we operate in:

The first, the Electric segment is located primarily in the Carolinas, Florida and in the Midwest—very strong jurisdictions, growing jurisdictions, constructive regulatory commissions and frameworks that have driven investment and returns over a long period of time.

The price of power in our jurisdictions is below the national average. We've had great success in keeping prices low to customers, and that, of course, has been a driver of economic development, as well. The generation mix that we operate in these jurisdictions is also very well-balanced.

The second segment is Gas Utilities & Infrastructure. We operate five in five states, with LDC companies. This is the result of not only the business that we operate in the Midwest, but the addition of Piedmont Natural Gas. The growth in the gas jurisdictions is driven by not only customer growth, but investment in integrity management and expansion of infrastructure to support electric generation, particularly in the Carolinas.

We also have pipeline investments. So, Atlantic Coast Pipeline, we're partnering with Dominion, bringing that resource into the Carolinas. We are also a part owner in Sabal Trail into Florida and, of course, continuing to work on the Constitution Pipeline here in New York.

The final segment, Commercial Renewables. We've been in the Commercial Renewables business for about 10 years. 3,000 megawatts of generation, built all over the U.S., adding another dozen states to our portfolio, and we continue to look at ways that we can add renewable generation at returns that are attractive to our investors.

If I transition to the next slide, this is the investor value proposition for Duke Energy, a very balanced story, 8% to 10% total shareholder return, balanced between a strong dividend and growing dividend, as well as earnings growth at 4% to 6%, and very low-risk, regulated investments that are transparent and easy to follow, also underpinned by a strong balance sheet. Our holding company I point to, in particular, Baa1, BBB+, a stable outlook in all of the agencies, underpinned again by the low-risk jurisdictions in which we operate and the nature of the investments that underlie that balance sheet. We see this as a differentiator of scale for our company.

If I transition to the next slide, this is a slide that we've been using over the course of 2017 to really lay out the strategy of Duke Energy. As we look at an industry that is undergoing transformation, whether it's change in customer expectations, new technologies, public policy that always has an impact on our business, we stand back and believe that investments in three key areas will position Duke well in this period of transformation. The first investment area is modernization of the electric grid, delivering customer solutions to improve reliability. Second, investments in clean energy, which, for Duke, is natural gas and renewables. We also continue to maintain the largest regulated nuclear fleet in the U.S. and continue to invest in those plants with an expectation that we will pursue license extension for as many of our units as the economics make sense.

And then the third area is gas infrastructure. This is the infrastructure not only at the LDCs that we operate, but also the pipelines in order to continue to feed and build the infrastructure for the appetite we have for natural gas. Duke is the second largest consumer of natural gas in the U.S., and ensuring that infrastructure investment keeps up with that appetite is a key part of our strategy.

Underpinning all of this, kind of foundational to all of this, is strong customer satisfaction and keeping our eyes on the value we're
delivering to customers. Also underpinning it is being very good at stakeholder engagement. In this world of transformation, when there are so many voices in the story of energy, you have to be good at engaging stakeholders to get the solutions that make sense for customers and investors.

Although not specifically called out on this slide, another foundational element for Duke is the focus on operational excellence. Operating our assets well, safely, in an environmentally-responsible way. I’m very proud of the fact that Duke Energy is number one in the industry in personal safety for our employees, and also today was named to the Dow Jones Sustainability Index.

Let me transition then to the numbers that go behind that strategy. If we invest in grid, in clean energy, in gas infrastructure, what does it deliver? This is a slide that captures our earnings base, kind of rate base growth in our jurisdictions at about 6% over the next five years, and also demonstrates where the EPS growth is coming from, underpinned by the electric business at 4% to 5%, and then complemented by growth in natural gas and renewables. We see the potential to deploy about $37 billion of growth capital over the next five years in those areas that I mentioned.

If I think about those investments and that strategy, it's also important that we pursue regulatory and legislative initiatives that underpin our ability to deliver returns, and turn those investments into cash and returns to shareholders.

So, what I'd like to do is spend the remaining amount of my time talking about some current events in those areas, regulatory and legislative initiatives. I'll focus on the North Carolina rate cases, our first in four years for both the eastern and western part of the states. I'll also focus on recent legislation in the Carolinas, House Bill 589, which sets a sustainable path for renewable growth in the Carolinas. And finally, and most recently, our revised settlement in Florida that sets a clear path for strategic investments in the Florida jurisdiction as we move forward.

The slide on rate cases is next. This gives you some of the statistics on the rate cases for Duke Energy Progress and Duke Energy Carolinas. These cases have in common that they’re underpinned by capital investments, two that I would point to, natural gas – natural gas combined cycle and CT facilities in these jurisdictions, as well as environmental compliance – ash basin closure costs.

As many of you know, North Carolina has been ground zero for coal ash and coal ash closure for a number of years, but that has given us the opportunity to develop industry-leading expertise, and we are making extraordinary progress in closing these basins.

What we've put into these cases is a combination of recovery. Recovery of costs already incurred over a period of time, and then recovery of an ongoing run rate of expenditures around basin closure, which we believe will result in the lowest cost to customers going forward.

A couple other things that I would mention. In the Duke Energy Carolinas case, you'll find an amount of money labeled grid tracker or grid investment. As I said a moment ago, we are aggressively pursuing grid investment and believe that the recovery mechanism for grid investment should occur in a smaller manner, tracked or rider, some kind of mechanism that converts the smaller investments into returns more quickly, and we'll be pursuing that in the Duke Energy Carolinas case.

We also included in the Duke Energy Carolinas case a request to cancel the Lee Nuclear plant. Lee is a combined operating license that we pursued beginning 2007-2008. We received the license in December of 2016, early 2017. And as a result of the Westinghouse bankruptcy, the uncertainty around Toshiba, really the uncertainty around when we would be in a position to a make a decision to build that plant, we have cancelled it as it was originally intended or envisioned, which would have been an in service date of 2025-2026. We intend to continue to maintain the license in the event that there are circumstances that change that picture on new nuclear, but at this point have made a decision to cancel it as it was originally intended.

These cases will continue to unfold over the balance of 2017, continuing into 2018. We are requesting the rates go into effect for Duke Energy Progress by February 1 and would expect Duke Energy Carolinas to follow by a couple of months.

Let me transition to recent legislation, this also in the Carolinas. This is House Bill 589, the Competitive Energy Solutions for North Carolina act. This is an important piece of legislation for us from a strategic point of view. It does a number of things. It sets the path for sustainable renewable growth in the Carolinas, reforming PURPA and replacing it in many ways with a competitive procurement process that we believe will deliver extraordinary customer benefits by lowering the cost of solar in the Carolinas.
Over a 10-year period, we believe this competitive process will save customers about $1 billion. It also provides clear recovery, tracking of not only qualifying facilities that are built in our region for which we secure the power, but also for renewables that are built under this law – or that we buy under this law. So very timely recovery, an objective that we’ve had for some time, and this accomplishes it.

It also provides a benefit to reliability. The solar that gets built under this will have the ability to curtail and to place the solar where it makes sense in our system. And that, again, is another underpinning to sustainability and reliability in our service territories. It also makes clear that the utilities can own renewables under this law.

30% of the competitive process can come from the utility or affiliates. And, of course, we have the ability to buy any amount of the renewables in this area if we choose to do so.

As I look at this, the other thing that I would point to, I mentioned a moment ago, the importance of stakeholder engagement. This legislation was the result of a very comprehensive stakeholder process that unfolded over 10 months and, I believe, really sets a model of how we can pursue constructive outcomes that make sense for customers and investors. So, a market-driven, customer-focused piece of legislation that provides a great underpinning for the strategy that Duke Energy is pursuing with renewables in North Carolina.

The last thing that I would point to on current events is the most recent, which is the revised settlement in Florida that we filed last week. So, relatively new. If you follow the company, you know that we’ve been operating under a settlement agreement that we signed in 2013. What this one does is it updates it, revises it. It brings together significant intervening parties in the state and sets a course for rate increases over the next three years that provide recovery of grid investments and also provides an opportunity for us to build and take recovery of solar up to 700 megawatts.

As I look at this settlement agreement, it provides a clear path for recovery in the strategic investments that are important to Florida, which we laid out for you in February, when we set out our capital plan over the next several years. We now have a clear and transparent method of pursuing recovery of not only grid investment, but also solar energy.

In connection with this settlement, we also have cancelled the Levy Nuclear Project. If you’ve followed the company for some time, you know that we cancelled the EPC contract several years ago, but this is final cancellation of the project. We will not continue to maintain the license, but rather pursue other generation options in Florida. We believe that this represents the closure of an important chapter in Florida and also puts us on a course to deliver great value to customers and also pursue our strategy of additional investment in grid and in renewables.

I’ll close where I started. The strategy for Duke Energy is to be the leading gas and electric infrastructure company, delivering value to customers and, of course, attractive returns to investors. We bring scale to this. We bring constructive jurisdictions. We bring growing jurisdictions. We bring a demonstrated track record of achieving constructive regulatory outcomes.

Before I turn it over for Q&A, I also want to acknowledge that we are closely watching Hurricane Irma as it tracks toward Florida and have our crews and teams ready to go in the Florida region, but also in the Carolinas as we continue to closely monitor that storm. The industry is working very well together, demonstrated great success with Hurricane Harvey, and we’re preparing again for this important storm.

Dan, I’ll leave it there and would be delighted to take questions.
**QUESTIONS AND ANSWERS**

**Daniel Ford - Analyst, Barclays Capital, Inc.**

Thanks very much and we have microphones that will be going around the room. Maybe we could delve a little bit deeper into the storm preparedness, and then also just what are the regulatory mechanics around storms, if you can remind us, in Florida, in the Carolinas as well, and just update us on what it means to really prep for a storm like this?

**Lynn J. Good - Chairman, President & CEO, Duke Energy Corp.**

Unfortunately, we had some experience — recent experience with Hurricane Matthew in the fall. So, the logistics around storm preparation are really a science and an art of figuring out how many resources you need. We’re modeling weather. We’re modeling impact. We’re communicating with customers, and we’re staging crews. We have crews staged in Florida and in the Carolinas, and then we’re also staging some crews in Georgia, so that we can deploy them either place depending on where the ultimate storm track occurs.

I had a chance, during Hurricane Matthew, to be in the storm center. Of course, there were storm centers set up in each geography, and it runs like an operation where you are monitoring what you know about outages. You’re monitoring where the resources are. You’re also securing food and housing and using drones and GPS equipment to figure out how to position trucks and, of course, constantly in contact with communities, authorities and first responders around your area, so that you are in close contact with the communities that are impacted. Also, staffing up call centers for customers and ensuring that you’re pushing out information around preparedness, and giving them the best information you have around impact to the system.

We do have a storm reserve in Florida, but as I think about preparation today, I’m not as focused on storm reserves as I am on restoration of power. And what we have accomplished or done in the Carolinas with Hurricane Matthew, we deferred those costs, and they are part of these rate cases that also represents an opportunity depending on the size of the impact. So, all hands on deck for Hurricane Irma.

**Daniel Ford - Analyst, Barclays Capital, Inc.**

Okay. Thank you. And, I guess, maybe a little bit on the North Carolina cases. Duke’s got a long history of settling cases. And, I guess, the window, if there was an opportunity for that, it’d be sometime late this fall, so October, November. Can you talk about your optimism on that front, and do you think that everything could be included, particularly given the coal ash controversy and how that contributed to the case?

**Lynn J. Good - Chairman, President & CEO, Duke Energy Corp.**

You know, Dan, we’re always open to conversation on regulatory filings. I think you have acknowledged that from our history in working through these cases. It’s always hard to predict, though, what the circumstances will be and how those conversations will unfold, but we’ll certainly be at the table, discussing points of view on each element of the case, including coal ash during the timeframe that you mentioned. So, mid-to-late October into November. The hearing date on the DEP case is November 20, so you can back that up kind of in four to six weeks, and that’ll be the time period for discussions.

It’s really, in many regards, sitting here early September, too early to say where we will be, but we’ll be closely monitoring and look for opportunities to sit down and talk.

**Daniel Ford - Analyst, Barclays Capital, Inc.**

Okay. One down here.

**Carl Seligson - Chairman, Utility Financial Experts**

Lynn, could you give us a similar read on House Bill 589 in terms of who did you talk to while that was being considered, and what were the reactions, what modifications had to be made, what did you not get that you wanted, and what did you get that you were surprised at?
Sure. If you look back at the history of House Bill 589, it began with an avoided cost filing at the commission where we were aggressively pursuing reform to PURPA in North Carolina. We thought the size of the contract, the length of the contract, the price, all needed review.

Kind of on a parallel path, as we were presenting testimony and our points of view about that, we were also engaged with the solar industry, with industrials and other key stakeholders in the legislative space to say, if not PURPA, what is the appropriate way to pursue sustainable growth of solar in North Carolina? This is where the competitive bidding process emerged, in the legislative discussions.

And so, over a 10-month period, a lot of discussions around how that competitive process should occur, where does rooftop play, where does utility scale play, what about the university systems and some of their objectives. It's a give-and-take process. But I'm very pleased, when you end up with a piece of legislation that provides sustainable growth, provides customer benefits, clear path to recovery, reliability, and an opportunity for us to invest. I think we got to a win-win.

This demonstrated ability to bring stakeholders to table and get something that’s a win-win is really what I would point to. And I think in any negotiation, there's some give and take to get to an outcome that makes sense for everyone.

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**Lynn J. Good - Chairman, President & CEO, Duke Energy Corp.**

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**Ashar Khan - Portfolio Manager, Verition Fund Management LLC**

Lynn, this Florida settlement, is this the trajectory of earnings and returns going forward? Is this better than, equal to, or how should we look at it versus the plan that you came out with earlier this year? Could you elaborate a little bit on that?

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**Lynn J. Good - Chairman, President & CEO, Duke Energy Corp.**

I would look at this settlement as the recovery that gives you confidence around the capital that we laid out in February. We had about $6 million of capital that we laid out as our aspiration for spending in Florida in February, when we put out our five-year plan. And this is the recovery mechanism that goes with that.

We’re very pleased that we have a clear path to recovery through 2021, and the strategic investments that are a priority for us in Florida, which is grid investment and also solar.

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**Daniel Ford - Analyst, Barclays Capital, Inc.**

And one other clarification on HB 589. So, can your unregulated development company participate in the solicitation that isn't designated for utility, and would you plan to?

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**Lynn J. Good - Chairman, President & CEO, Duke Energy Corp.**

As I think about renewables at Duke Energy, we are looking at what makes the most sense—utility, commercial, and we'll make those decisions as we go forward.

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**Daniel Ford - Analyst, Barclays Capital, Inc.**

Okay. All right. There aren't any other questions here. We do have a breakout session, which is in Liberty number 5, where Lynn will be available for some more Q&A. Thanks very much, Lynn.