



1 CUSTOMERS

Improve the Lives of Our Customers and Vitality of Our Communities

2016 Highlights

- As of year-end 2016, customer energy consumption and peak demand were reduced by more than 12,000 gigawatt-hours and 4,800 megawatts, respectively.
- Customers benefited from electric rates below the national average in all customer classes and all service areas for the third consecutive year.
- During 2016, the Duke Energy and Piedmont Natural Gas Foundations contributed \$33.5 million to our communities.

Challenges and Opportunities

- Relentlessly pursue our goal of achieving and sustaining top quartile customer satisfaction, placing the customer at the center of everything we do.
- Invest \$25 billion over the next 10 years to create a more modern, smarter energy grid that is also more resilient and better prepared for severe weather events.
- Continue to work with stakeholders to identify positive outcomes to issues important to our communities.



Julie Mayfield / Asheville City Councilwoman Joan Walker / MountainTrue Campaigns Director
Jason Walls / Local Government and Community Relations Manager Jeremiah LeRoy / Buncombe County Sustainability Officer

Working with Stakeholders on Future Generation Plans

In a unique partnership, Duke Energy is working closely with environmentalists, community leaders, business owners and government officials in Asheville, N.C., to produce an energy efficiency plan specifically designed to delay the need for a new electricity generating unit.

Duke Energy has committed to close a half-century-old, coal-fired power plant in Asheville in 2019 – and replace it with a cleaner, natural gas-fired power plant, consisting of two generating units.

The company also might need to build a third generating unit to meet the fast-growing region's future electricity demand. But, in an unusual move, the company is seeking active community participation in energy efficiency programs to delay the need for the third generating unit.

“Many folks in Asheville and Buncombe County have said, ‘Give us a chance to demonstrate our ability to reduce energy use locally – with the goal of avoiding, or significantly delaying, construction of that third unit,’” says Jason Walls, Duke Energy’s government and community relations manager in Asheville.

Moving toward that goal, Duke Energy, Buncombe County and the city of Asheville created an Energy Innovation Task Force to develop a long-term energy plan for the region.

A key objective: encourage Duke Energy customers to reduce their electricity usage – especially during peak demand periods (extremely hot or cold days) – through the company’s many existing customer-focused energy efficiency programs.

Those programs include free energy audits for homes, businesses and industrial plants to identify energy-saving opportunities; financial incentives to buy or construct energy-efficient homes and other buildings; and partial rebates for installing advanced, low-energy heating and cooling systems.

Duke Energy also can install a device that cycles a customer’s air conditioner or water heater on and off during peak demand periods, saving money for the customer (with little or no comfort impact) while reducing energy consumption on the electric grid.

The task force in 2017 will draft a detailed report on its initial, two-year energy savings proposal.

Says Walls: “This initiative is a national model for constructive and effective collaboration between a utility and the community it serves.”

In addition to energy efficiency programs, Duke Energy has committed to build at least 15 megawatts of solar energy and 5 megawatts of energy storage in the region.

A Smarter, Stronger Grid: Benefiting Customers

Duke Energy is rapidly upgrading and strengthening its largest-in-the-nation “electric grid” – the power lines, substations, meters and other equipment that help deliver electricity from power plants to customers.

The company is investing \$25 billion in a 10-year grid modernization plan that will save energy, give customers more control over their electricity use, reduce power outages, accommodate additional solar energy, and lay the groundwork for energy storage and other new technologies.

The plan includes initiatives to “harden” the grid against extreme weather, such as hurricanes, by elevating substations in flood-prone areas, replacing and strengthening utility poles, and relocating vulnerable overhead power lines underground.

Duke Energy is rapidly upgrading and strengthening its largest-in-the-nation “electric grid” – the power lines, substations, meters and other equipment that help deliver electricity from power plants to customers.

Additionally, we are working toward proactively predicting equipment failures before they happen so that equipment can be replaced, and unplanned outages avoided.

The plan also includes installation of advanced technologies that can better detect a power outage and pinpoint its cause, such as a damaged power line or equipment failure. Once problems are located on the power grid, these systems automatically trigger remote switches to immediately isolate the problem and reroute electricity around the trouble spot using other nearby power lines – greatly reducing the number of customers impacted.

Duke Energy’s Electric Rates: Below U.S. Average

In effect as of July 1, 2016 (cents per kilowatt-hour)

Residential

Duke Energy Kentucky	8.97
Duke Energy Progress-SC	10.33
Duke Energy Carolinas-NC	10.72
Duke Energy Florida	11.13
Duke Energy Indiana	11.48
Duke Energy Progress-NC	11.65
Duke Energy Carolinas-SC	11.66
Duke Energy Ohio	11.83
U.S. AVERAGE	13.53

Commercial

Duke Energy Kentucky	8.33
Duke Energy Progress-SC	8.40
Duke Energy Progress-NC	8.45
Duke Energy Indiana	8.71
Duke Energy Florida	8.89
Duke Energy Ohio	9.26
Duke Energy Carolinas-NC	9.40
Duke Energy Carolinas-SC	9.64
U.S. AVERAGE	11.48

Industrial

Duke Energy Progress-SC	7.01
Duke Energy Kentucky	7.54
Duke Energy Progress-NC	7.91
Duke Energy Indiana	8.07
Duke Energy Florida	8.28
Duke Energy Ohio	8.32
Duke Energy Carolinas-NC	8.42
Duke Energy Carolinas-SC	8.62
U.S. AVERAGE	9.60

Notes: Residential typical bill based on 1,000 kWh per month usage. Commercial typical bill based on 40 kW demand and 14,000 kWh per month usage. Industrial typical bill based on 1,000 kW demand and 400,000 kWh per month usage.

Source: Edison Electric Institute Typical Bills and Average Rates Reports, Summer 2016 (latest available).

These technologies will also help Duke Energy provide more accurate power restoration time estimates to customers during outages.

Another key part of the plan: digital “smart” meters that help customers save electricity and money.

Duke Energy replaced nearly all of its Ohio customers’ aging analog meters with the first generation of smart meters earlier this decade.

Similar meter replacement programs, now with even more advanced smart meters, are underway or planned for Duke Energy customers in Indiana, Kentucky, North Carolina, South Carolina and Florida, with targeted completion in all states by 2022.

Smart meters give customers easy online access to detailed information about their household electricity use – including daily and hourly consumption data – so they can adjust their usage to save energy and money.

The meters also enable Duke Energy to:

- Remotely turn power on for new customers, eliminating the need for customers to wait for a Duke Energy technician to come to their home or business;
- Provide new payment options such as prepaid energy services and customized due dates.

Smart meters give customers easy online access to detailed information about their household electricity use so they can adjust their usage to save energy and money.

The “electric grid” – the equipment that delivers electricity from power plants to customers – is a critical part of America’s backbone infrastructure, vital to the nation’s security, economy and public health.

Electric Grid: Maintaining Security for Our Customers

The “electric grid” – the equipment that delivers electricity from power plants to customers – is a critical part of America’s backbone infrastructure, vital to the nation’s security, economy and public health.

In the U.S., grid security is a shared responsibility of public-private partnerships that leverage the strengths of all parties. The electric utility industry has operated at a heightened state of security since the 2001 U.S. terrorist attacks in New York and Washington, working closely with multiple entities to safeguard the grid from intrusion, sabotage and attack – whether cyber, physical or both.

Those entities include the North American Electric Reliability Corporation, Federal Energy Regulatory Commission, U.S. Department of Homeland Security, U.S. Department of Energy, federal intelligence and law enforcement agencies, state and local law enforcement departments, and web security firms.

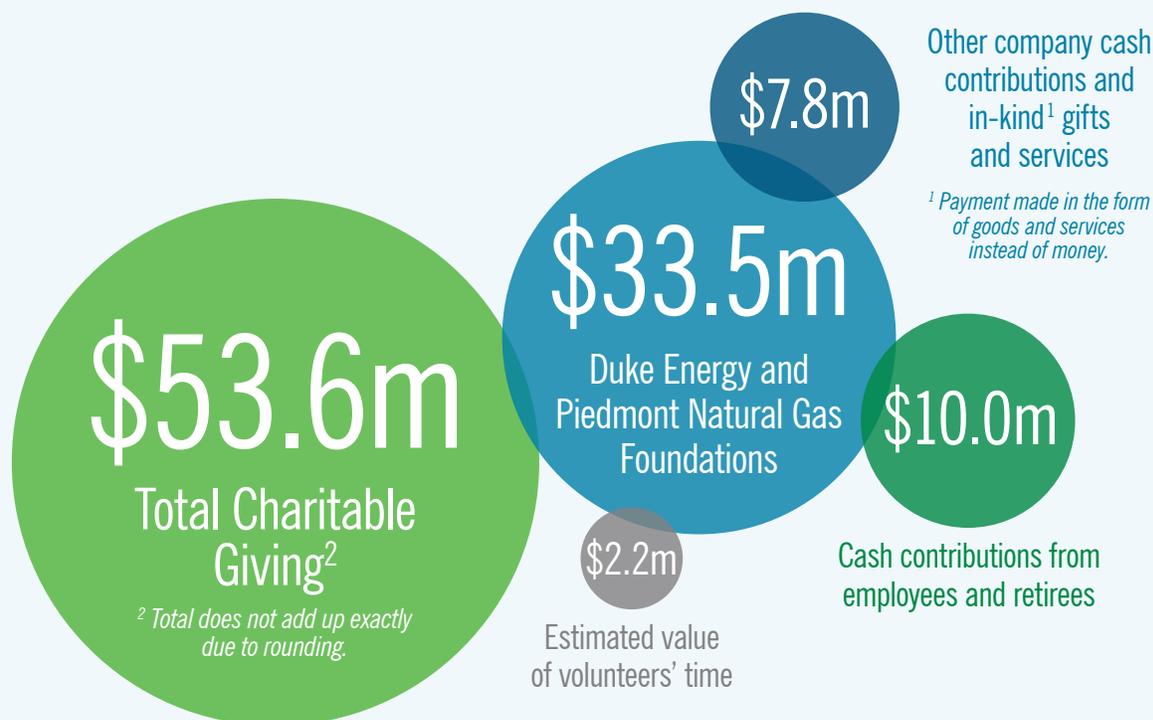
Duke Energy uses comprehensive, multilayered cybersecurity measures to protect its computer systems, both software and hardware. The company’s highly skilled information technology specialists monitor the grid around the clock, searching for abnormal cyber activity and quickly responding to any incident.

Also, Duke Energy is continuously strengthening the grid’s resiliency by installing multilayered, backup defense systems – so that if one section of the grid is interrupted, another section often can keep power flowing to customers.

To ensure it is doing all it can to be prepared, the company conducts simulated real-life drills and comprehensive employee training for any type of emergency.



2016 Charitable Giving



Crowdsourcing Helps Teachers Make a Difference

Duke Energy is partnering with DonorsChoose.org to help teachers in Ohio, Kentucky, North Carolina and South Carolina fund projects that support literacy programs and foster a growing interest in science and technology fields.

The concept, helping teachers turn classroom projects into a reality, has been quite popular. Nationwide, teachers at 75 percent of public schools have used the concept – raising more than a half-billion dollars for education. Within Duke Energy's service territories, thousands of projects have been completed with our help.

Here is how it works:

Teachers submit proposals for projects related to literacy or science, technology, engineering and math (STEM) on the DonorsChoose website. Once on the site, the public can read about each project and fund the ones they find interesting.

Up to a set limit that varies by state, Duke Energy will then match, dollar-for-dollar, all donations made toward eligible literacy and STEM projects at public schools in the company's service area. Overall, Duke Energy will provide \$475,000 in matching donations.

The end result is that local teachers have the tools they need to teach and inspire our next generation of leaders. And the combination of public and Duke Energy support make sure needed projects are funded.

Diverse Supplier Spending (in millions)

	2012	2013	2014	2015	2016 ³
Spending with Tier I diverse suppliers ¹	\$725	\$691	\$578	\$633	\$681
Spending with Tier II diverse suppliers ²	\$212	\$212	\$412	\$405	\$494
Total	\$937	\$903	\$990	\$1,038	\$1,175

1 Tier I represents direct purchases from diverse suppliers.

2 Tier II consists of diverse businesses working with Tier I suppliers.

3 Piedmont Natural Gas Tier I data from the first three quarters are included.

Saving Energy & Money: It's Easy

Saving money is important to customers. That's why Duke Energy is continually working to help them use energy more efficiently.

The company offers programs in which trained energy experts inspect customers' homes and share a tailored report on ways to save energy. Customers also receive a free energy efficiency starter kit to begin saving right away. In 2016, more than 54,000 homes received the free in-home energy assessment.

Small to medium-sized business customers can also take control of energy spending by participating in a similar energy audit. They receive a comprehensive report detailing the findings and potential projects that would result in paybacks. Since 2013, over 31,000 energy audits have been performed on businesses, with nearly 13,000 customers participating in the program.

Another way Duke Energy has helped customers reduce energy consumption is through more energy-efficient lightbulbs. Since 2009, the company has provided nearly 72 million energy-efficient lightbulbs through various programs, including free giveaways, its Online Savings Store, and through participating retailers.

Since 2009, the company has provided nearly 72 million energy-efficient lightbulbs through various programs.

In 2016, Duke Energy started offering free LED bulbs to residential customers, phasing out the free CFL bulb program. LEDs last 25 times longer than traditional bulbs and are free of mercury and lead – a safer choice for customers.

Duke Energy's programs, products and services, which vary by state, recognize that our customers' needs and expectations are changing. That's why the company will continue to develop new and easy ways to help them get the most value for their money.

Find out more by visiting duke-energy.com/SaveEnergy.

Meter Recycling Helps People & the Environment

New smart meters are being installed throughout the Duke Energy service territories.

These new meters can collect the same data as the old ones, but unlike the old meters that were read once a month, smart meters relay data hourly, giving customers more insight into their energy usage than ever before.

Great innovation. But what happens to the old meters?

Nearly every day for the last several months, a team of employees at the 160,000-square-foot Goodwill Opportunity Campus in Charlotte has been dismantling old meters and parsing their pieces into recycling bins. Eventually, the work could grow to 1 million meters a year.

For the Goodwill team, the work is clean, environmentally sound and appreciated by those seeking employment. Plus, it advances the Goodwill mission of helping people reach their potential in the workplace.

The contract between Duke Energy and Goodwill began in June 2016 with the hiring of about a half-dozen employees, who now dismantle about 2,500 meters a day. As Duke Energy's upgrade expands, the workforce could grow to nine employees moving 4,500 meters a day, with a payroll that could eventually total in the hundreds of thousands of dollars.

Gaining employment and learning new skills are just a few of the positives this program provides for employees.

The skills learned on the floor go beyond simple meter deconstructing. The employees must report on time, be productive and learn teamwork – skills that will make them attractive to future employers.

Satisfaction Scores Rise; Still Room for Improvement

While Duke Energy's customer satisfaction scores improved for both business and residential segments in 2016, our rankings show there is still room for improvement.

All Duke Energy utilities are implementing plans to achieve top-quartile performance among large utilities in the J.D. Power Electric Utility Residential Study by the end of 2018.

Satisfaction scores increased for all four Duke Energy companies in the 2016 calendar year J.D. Power Electric Utility Business Study.

- Duke Energy Progress was up an impressive 61 points to 764, moving from third quartile to first quartile.

Large business customers continue to give Duke Energy high marks for the service they receive, with 91 percent “highly satisfied” with Duke Energy as their utility.

- Duke Energy Midwest was up 45 points to 753, moving into the second quartile.
- Duke Energy Carolinas was up 22 points to 750, but dropping from first quartile to third quartile.
- Duke Energy Florida was up 44 points to 734, its highest score in more than nine years, but remains in the fourth quartile.

The study rates companies on six factors: power quality and reliability, billing and payment, corporate citizenship, price, communications and customer service.

Large business customers continue to give Duke Energy high marks for the service they receive, with 91 percent “highly satisfied” with Duke Energy as their utility, according to internal data and surveys.

Among residential customers, 79 percent were highly satisfied with the service they received from Duke Energy in 2016.

In the residential study, J.D. Power reported Duke Energy's satisfaction scores were up for all four operating companies in 2016

- Duke Energy Progress was up 25 points to 680, placing it in the second quartile nationally among all large utilities.
- Duke Energy Midwest was up 15 points to 679, placing it in the second quartile nationally among all large utilities.
- Duke Energy Carolinas was up 6 points to 669, placing it in the third quartile nationally among all large utilities.
- Duke Energy Florida was up 32 points to 654, placing it in the fourth quartile among all large utilities.





Customers can get the latest power outage information on their personal mobile devices by signing up for phone or email alerts without having to first report the outage.

Meeting Customer Expectations for Timely Communications

In today's world, customers expect utilities to offer the same amount of communication as other companies with whom they do business.

Duke Energy has been adapting to this and has a number of communications programs underway. Two popular programs have been available to all customers since late 2015.

Proactive outage alerts

Customers can get the latest power outage information on their personal mobile devices by signing up for phone or email alerts without having to first report the outage.

Duke Energy notifies customers enrolled in the program by text, email or voice message when there is a planned or unplanned outage in their area. Key status updates are also provided throughout the outage to notify customers of estimated restoration times, crew status, cause of outage, number of customers impacted and when power has been restored.

About 1.6 million customers have enrolled in the program.

High bill alerts

Customers are notified when weather may cause their bill to be higher than the previous month. These alerts are sent half-way through the customer's billing cycle, allowing them to take steps to adjust their usage before their bill arrives.

Duke Energy notifies customers if their bill is projected to be higher than usual by 30 percent or more, based on their historical usage and whether temperatures are predicted to be much different than the previous month. The alerts include energy-saving tips to help customers alter their behavior to reduce energy usage.

Eligible customers are automatically enrolled into the program and the unsubscribe rate is very low. About 1.1 million alerts have been sent to customers to help prepare them and to provide money-saving advice.

Customers are notified when weather may cause their bill to be higher than the previous month. These alerts are sent half-way through the customer's billing cycle, allowing them to take steps to adjust their usage before their bill arrives.