



Lynn J. Good / Chairman, President and Chief Executive Officer

## A Message From Our CEO

Providing safe, reliable and affordable power is at the heart of what we do. But thanks to changing social priorities, new technologies and alternative energy sources, customers have new and higher expectations of what they want from their energy provider.

Today, how we make energy matters. People expect that we will produce and deliver power in ways that protect the environment and the communities we serve.

Duke Energy has a clear, compelling strategy to deliver value to our stakeholders in this environment and our commitment to sustainability is woven throughout our approach.

### Maintaining Safe Operations

Our dedication to safety, operational and environmental excellence is unwavering. Any success starts here. We improved on our industry-leading performance from 2015. We had no work-related fatalities last year and reduced our total incident case rate. Also, we reduced the number of significant injuries. That's a record of performance to be proud of and I have our employees to thank.

Our employees improved our safety performance while meeting the energy needs of our customers. They did this despite demanding weather and a summertime usage record in the Carolinas. In 2016, our nuclear fleet increased its capacity factor to 95.7 percent. That's a new record and the 18th consecutive year our capacity factor was above 90 percent.

This commitment to excellence also extends to environmental stewardship. Our reportable environmental events dropped by 17 percent in 2016. We increased our recycling efforts last year and remain on track to recycle 80 percent of our solid waste by 2018. We also made tremendous progress closing our coal ash basins. Last year, we excavated and stored over 5 million tons of coal ash in North Carolina. We also published basin closure plans across our service areas and announced two coal ash reprocessing locations, with one more to come.

## Modernizing Our Grid

Our energy grid, the largest in the United States, is a critical part of our nation's infrastructure. We are investing \$25 billion over 10 years to create a smarter, more modern grid that delivers the services our customers expect. Today, the grid stands as a one-way road. In the future, it must become a multilane highway, sending energy and information in both directions.

Our investment will help us reduce outages and accelerate restoration, and allow customers to better manage their energy usage. It will also enable the system to support more renewable energy resources and emerging technologies such as battery storage.

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We have installed smart meters in the Midwest, have deployed the technology in the Carolinas and will start in Florida soon. So far, we have saved millions of dollars for customers by automating processes and reducing trips to start and stop service. Last year alone, we saved over 50 million outage minutes for customers, a twofold increase.

## Generating Cleaner Energy

More and more, we're generating cleaner energy. We have retired older coal units and invested in natural gas generation and renewables. And we continue to operate our carbon-free nuclear plants. Since 2005, our efforts have reduced our carbon dioxide emissions by 29 percent.

And we are not finished. By 2030, we plan to reduce our carbon emissions by 40 percent from our 2005 levels. We also plan to reduce our carbon intensity – the amount of carbon dioxide emitted per kilowatt-hour of energy produced – by 45 percent.

We will meet these goals, in part, by investing \$11 billion in natural gas and renewables over the next 10 years, as well as in the infrastructure necessary to supply our plants and customers with cleaner, low-cost fuel.

These investments complement our expanding renewable portfolio. We have spent more than \$5 billion over the past 10 years in commercial renewables. When combined with our regulated renewables, we're one of the nation's top five renewable energy companies. As of year-end 2016, we owned or had under contract over 5,400 megawatts of wind, solar and biomass energy.

## Focusing on Customers and Communities

The customer remains at the center of everything we do. We are updating our technology infrastructure to give our customers smarter, more advanced solutions. For example, they can now receive proactive outage updates via voice, text or email as well as high bill alerts.

Even as we transform Duke Energy, we continue to keep energy costs low. Last year, our electric rates were below the national average for customers in all six states we serve. We are also helping customers save energy. Our energy efficiency programs, from in-home energy reports to free LED bulbs, have played a part in reducing customer energy consumption by more than 12,000 gigawatt-hours as of year-end 2016.

*We are committed to powering the lives of our customers and the vitality of our communities. That's our purpose, and our focus on sustainability helps us keep this promise.*

Our commitment extends beyond the services we provide. We are proud to be an economic engine for our communities we call home. Last year, we helped attract \$4.1 billion in capital investment in our service territories. That led to the creation of over 14,000 jobs. We are also active through our philanthropic efforts. In 2016, Duke Energy and Piedmont's total charitable giving was over \$53 million. This included \$33.5 million in direct giving by our Foundations, as well as company contributions and in-kind gifts, volunteer hours and contributions from employees and retirees to our communities.

Our focus on the customer has led to improvements in customer satisfaction. Yet we have more to do. Our goal is simple: we want to move into the first quartile in the next five years. We have a plan to do that and maintain that position for years to come.

## Today's Duke Energy

We are committed to powering the lives of our customers and the vitality of our communities. That's our purpose, and our focus on sustainability helps us keep this promise.

Today's Duke Energy is leading the way in a dynamic environment. How we are responding is delivering results and defining the future of our company and the communities we serve. This is our path forward and we are charging ahead with confidence.

Sincerely,



**Lynn J. Good**  
*Chairman, President and  
Chief Executive Officer*

April 7, 2017