



## 2 Growth

### Grow and adapt the business and achieve our financial objectives.

#### 2015 Highlights

- Increased our 2020 corporate goal for renewables generation capacity by one-third.
- Duke Energy Renewables brought 10 solar projects on line, totaling about 200 MW, and added 400 MW to its wind portfolio.
- Acquired REC solar, a provider of rooftop and ground-mounted solar systems for commercial-scale customers.
- Announced the purchase of Piedmont Natural Gas, which will triple the number of natural gas customers we serve.
- Invested in the Sabal Trail pipeline to help meet growing demand for natural gas in the southeast U.S.

#### Challenges and Opportunities

- Meet our target growth rate of 4 to 6 percent in the face of stagnant load growth.
- Take advantage of new technologies and customer expectations to find new ways to grow our business.

### Duke Energy prepares for electric utility industry's rapidly changing future

The electric utility industry is in transition:

- Customer expectations are evolving. Customers now expect more convenience, choice and control with even greater reliability and value.
- Rapidly changing technology is reshaping the way our customers consume electricity. This includes distributed generation, like rooftop solar, and energy management technologies.
- Greater energy efficiency is flattening growth in energy consumption.
- Cleaner fuel choices are becoming even more important as we move toward a lower-carbon future.
- New public policies, like environmental regulations, are shaping the energy landscape.

After closely examining these trends and their implications, Duke Energy developed “The Road Ahead”, our long-term strategy to guide investments and deliver greater value to customers:

- **Transform the customer experience:** To give customers the experience they want, we are investing in innovation and new technologies – services like usage alerts, outage notifications and customized billing options.
- **Modernize the power grid:** We are investing in a more resilient power delivery system, decreasing outages and enabling

## BATTERIES GET A CHARGE IN INDIANA

Developing the capacity to store electricity will play an important role in the future integration of distributed resources, like wind and solar generation. Duke Energy has projects around the country that are helping us understand the capabilities storage can bring to the system. For example, the company is partnering with the Battery Innovation Center in Southern Indiana and funding \$1.5 million in research to study how battery storage can work with intermittent resources like solar and wind. In addition to the research, two Indiana schools – Bloomington High School South in Bloomington and Northwestern School Corporation in Kokomo – will serve as test sites in 2016, incorporating battery technology with their own renewable energy sources.

**Ben Wrightsman / Battery Innovation Center and Kurt Phegley / Government and Community Relations Manager**

faster restoration. We are also developing an advanced two-way power grid to accommodate more renewable energy and emerging technologies such as battery storage and microgrids.

- **Generate cleaner energy:** We are continuing our efforts to decrease greenhouse gas emissions in a way that preserves affordable rates and reliability. We are shifting our generation mix to more natural gas and renewable energy.
- **Engage employees and other stakeholders:** We will mobilize the ideas of employees to ensure operational excellence. Externally, we will engage regulators, policymakers, customers and others to discuss industry changes and the path forward.

No matter how quickly or significantly the industry changes, Duke Energy will continue to lead the way to cleaner, smarter energy solutions. For more information, please read “Planning for the Future” in the online edition of this report.

### Maintaining sustainable financial growth

In 2015, Duke Energy achieved adjusted diluted earnings per share of \$4.54. This was driven by strong growth in the regulated business, which helped offset weakness in the company's international business segment.

One of Duke Energy's primary goals as a sustainable company is delivering attractive long-

term returns for its investors. As part of these efforts, the Board of Directors voted in June 2015 to increase the dividend growth rate to approximately 4 percent, double the rate at which the dividend had grown annually since 2010.

Over the past several years, Duke Energy has focused on situating its core domestic regulated and highly contracted commercial businesses for growth. These core businesses provide more stable earnings and cash flows, supporting the company's financial objectives. These core businesses are well situated to contribute adjusted diluted earnings per share within the company's 4 to 6 percent growth objectives from 2016 to 2020.

Duke Energy's total shareholder return – the change in stock price plus dividends – for 2015 declined by 10.8 percent. This was a greater decline than the 6.3 percent decline of the Philadelphia Utility Index (20 U.S. utilities) during the same period and the S&P 500's total shareholder return of 1.4 percent. Over a longer-term, five-year time frame, Duke Energy's annualized total shareholder return of 11.0 percent outperformed the Philadelphia Utility Index annualized return of 9.7 percent and underperformed the S&P 500's annualized return of 12.6 percent.

### Spotlight on renewable energy

Duke Energy continues to add more solar and wind energy to our generation mix – incorporating



## Central Florida Solar

From the sky, people get a different perspective on one of our new solar projects.

more renewable resources for the benefit of our customers. Major projects announced in 2015 include:

- In Florida, Duke Energy is developing solar projects that will provide up to 500 MW of solar capacity over the next 10 years. The company also announced a one-of-a-kind 5-MW solar facility at Walt Disney World® – shaped like a “not-so-hidden-Mickey.”
- In Indiana, the company is partnering with the Navy to develop a 17-MW solar facility at Crane Naval Base, which will be the second largest in the state.
- In North Carolina, Duke Energy continues a major solar expansion – completing 141 MW of capacity at four facilities – including one at the Camp Lejeune military base.
- In South Carolina, the company introduced several options for customers to participate in solar, including a solar rebate program for customers who install up to 1 MW of solar on their property.

The company’s commercial entity, Duke Energy Renewables, brought 10 solar projects on line in 2015, eight in North Carolina and two in California – totaling about 200 MW.

Duke Energy Renewables also added more than 400 MW to its wind portfolio in 2015 with three projects in Texas. The total amount of wind power the company operates now stands at about 2,000 MW.

Duke Energy built two 2-MW battery-based energy storage systems at its retired W.C. Beckjord coal-fired power plant in Ohio. This continues the company’s exploration of energy storage solutions and their potential for broad adoption.

The company acquired a majority interest in California-based REC Solar, a provider of rooftop and ground-mounted solar systems for commercial-scale customers. REC Solar is partnering with Green Charge Networks, also in California, to augment solar energy with energy storage systems, increasing savings for customers.

## Duke Energy Progress buys municipal power agency’s generation assets

Duke Energy Progress bought 701 MW of electricity generation assets for approximately \$1.25 billion from the North Carolina Eastern Municipal Power Agency (NCEMPA) in 2015.

The assets comprised NCEMPA’s minority ownership interest in four North Carolina power plants – Brunswick Nuclear Plant Units 1 and 2, Harris Nuclear Plant, Mayo Plant and Roxboro Plant Unit 4 (Mayo and Roxboro are coal plants) – all operated and majority-owned by Duke Energy Progress.

NCEMPA consists of 32 eastern North Carolina cities and towns that own and operate municipal electric systems, collectively serving about 270,000 retail customers.

For Duke Energy Progress customers, the purchase provides long-term power plant fuel savings that will help keep electricity rates affordable.

For NCEMPA's cities and towns, the purchase provides important economic benefits, including reduced or eliminated debt from the agency's 1980s investments in the power plants.

As part of the sale, Duke Energy Progress and NCEMPA signed a 30-year wholesale power supply agreement under which Duke Energy Progress will meet the full electricity requirements of NCEMPA's member cities and towns.

NCEMPA members' electricity distribution assets were not part of the sale, and will continue to be owned and maintained by the members.

## Duke Energy is investing in new natural gas plants

### Western Carolinas project will yield major environmental benefits

Duke Energy has received approval from the North Carolina Utilities Commission for its proposed Western Carolinas Modernization Project. The project, estimated to cost approximately \$1 billion, will accelerate the retirement of two coal-fired units while simultaneously providing for the rapidly increasing electricity demand driven by economic and population growth in the region.

### Project components:

- Construction of two 280-MW combined-cycle natural gas power plant units, targeted to be in service in 2020, at its existing Asheville (North Carolina) Plant.
- Future solar generation totaling 15 or more MW at the site or in the region.
- Large-scale electricity storage in the coming years totaling 5 or more MW at the site or elsewhere in the Western Carolinas.
- A partnership with communities in the fast-growing, nine-county Duke Energy Progress-West region to reduce electricity use through innovative energy efficiency programs and customer education.
- Early retirement of the site's two coal-fired units that together generate 324 MW of electricity.

### Environmental benefits:

- Carbon dioxide emissions per MWh will decrease by about 60 percent.
- Sulfur dioxide emissions will drop by about 99 percent.
- Nitrogen oxide emissions will fall by about 45 percent.
- Mercury emissions will be reduced to negligible levels.

## Financial Highlights <sup>1, 2</sup>

(In millions, except per-share data) <sup>1</sup>	2015	2014	2013
<b>Total operating revenues</b>	<b>\$23,459</b>	\$23,925	\$22,756
<b>Net income attributable to Duke Energy Corporation</b>	<b>\$2,816</b>	\$1,883	\$2,665
<b>Reported diluted earnings per share</b>	<b>\$4.05</b>	\$2.66	\$3.76
<b>Adjusted diluted earnings per share</b>	<b>\$4.54</b>	\$4.55	\$4.36
<b>Dividends per share</b>	<b>\$3.24</b>	\$3.15	\$3.09
<b>Total assets <sup>2</sup></b>	<b>\$121,156</b>	\$120,557	\$114,779
<b>Long-term debt including capital leases, less current maturities <sup>2</sup></b>	<b>\$37,495</b>	\$37,061	\$38,152

<sup>1</sup> See the 2015 Duke Energy Annual Report on Form 10-K for detailed notes and further explanations.

<sup>2</sup> The Financial Accounting Standards Board (FASB) issued revised accounting guidance in 2015 for the balance sheet presentation of debt issuance costs. This revised accounting guidance was adopted retrospectively by Duke Energy and is reflected in the amounts for all periods presented.

“The project underscores our company’s strong commitment to work closely with local communities to create a smarter, cleaner energy future,” says Robert Sipes, Duke Energy’s general manager of delivery operations for Western North Carolina.

### Cleaner burning natural gas provides benefits in Florida and the Carolinas

Duke Energy is also building two natural gas power plants in Florida and South Carolina. Building highly efficient natural gas plants is part of Duke Energy’s long-term strategy to meet future demand for reliable electricity in an environmentally responsible way.

In Florida, the Citrus County combined-cycle natural gas plant, targeted to open in 2018, will supply 1,640 MW of power to the more than 4 million people and businesses we serve in the state. The new plant will be one of the cleanest and most efficient in the company’s fleet and contribute about \$600 million to the local economy and tax base. Two nearby 1960s-era coal-fired units will be closed when the Citrus plant opens, further reducing our coal capacity by 900 MW and our carbon emissions in Florida by 8 percent. Since 2005, Duke Energy’s air emissions in Florida have been reduced by about 80 percent.

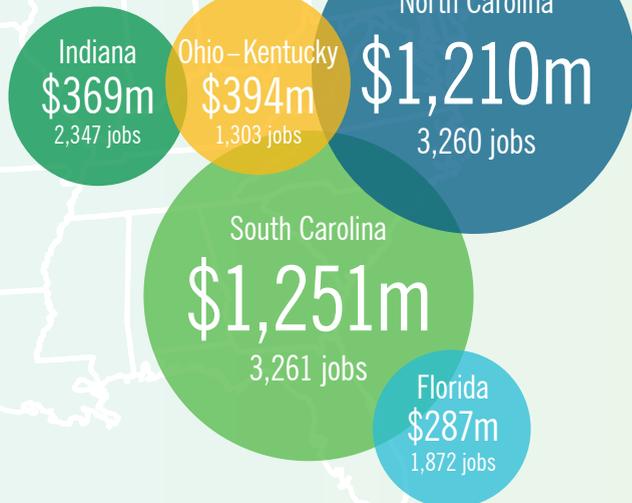
In South Carolina, the new W.S. Lee combined-cycle natural gas plant in Anderson County

## Economic development activities spur growth in our communities

Duke Energy works with state and local authorities to promote growth in our communities, helping attract business investment and jobs. In 2015 Duke Energy helped attract over \$3.5 billion of investments, and over 12,000 jobs.

**\$3.5b**  
Total Capital Investment

**12,043**  
Total Jobs



## Governance Ratings<sup>1</sup>

Duke Energy benchmarks its corporate governance practices against our peers and other best-in-class companies. Below are the risk ratings for Duke Energy provided by ISS, a leading corporate governance advisory service to the financial community. Duke Energy's overall ISS Governance QuickScore, as of March 1, 2016, was 2, on a 1 to 10 scale, with 1 being the lowest (best) relative risk ranking.

	ISS Governance QuickScore			Scales
	2013	2014	2015 <sup>1</sup>	
<b>Board structure</b>	5	1	<b>2</b>	Relative risk: 1 = Lowest <sup>2</sup> 10 = Highest
<b>Compensation</b>	4	1	<b>2</b>	
<b>Shareholder rights</b>	5	4	<b>4</b>	
<b>Audit</b>	1	2	<b>1</b>	

<sup>1</sup> As of March 1, 2016. Published with permission of ISS.

<sup>2</sup> Reflects best rating.

will supply 750 MW of electricity to the more than 9 million people and businesses served by Duke Energy Carolinas. Construction is well underway and the plant is expected to come on line in November 2017. During the height of construction, 500 temporary construction jobs will be created. Duke Energy previously retired two coal-fired units and converted a third to natural gas at the same site. As of 2014, Duke Energy no longer operates coal-fired plants in South Carolina.

### Duke Energy seeks to acquire Piedmont Natural Gas

Duke Energy and Piedmont Natural Gas announced in 2015 an agreement under which Duke Energy would acquire Piedmont for approximately \$4.9 billion in cash and assume about \$1.8 billion of Piedmont's existing debt. The acquisition is subject to the North Carolina Utilities Commission's approval and other regulatory reviews.

Piedmont is an energy services company primarily engaged in the distribution of natural gas to more than 1 million residential, commercial, industrial and power generation utility customers in North Carolina, South Carolina and Tennessee.

Piedmont's subsidiaries are invested in joint venture energy-related businesses, including regulated interstate natural gas transportation and storage and unregulated retail natural gas marketing.

The acquisition would make Duke Energy the nation's 15th largest natural gas local distribution company (LDC), as measured by the number

of natural gas LDC customers – 1.5 million (Piedmont's 1 million and Duke Energy's existing 525,000 in the Midwest).

"We look forward to welcoming Piedmont's customers and employees to Duke Energy," said Duke Energy President and CEO Lynn Good. "This combination provides us with a growing natural gas platform, benefiting our customers, communities and investors."

The purchase is targeted to close by year-end 2016.

Piedmont would retain its name, operating as a business unit of Duke Energy. Both companies are headquartered in Charlotte, North Carolina.

### Duke Energy invests in second natural gas pipeline

Duke Energy expanded its investment in interstate natural gas pipelines in 2015, committing \$225 million to purchase a 7.5 percent ownership stake in the new \$3 billion Sabal Trail pipeline that will traverse Alabama, Georgia and Florida to meet growing demand for natural gas in the southeast U.S.

The pipeline will have the capacity to deliver about 1.1 billion cubic feet of natural gas per day when it begins service, targeted for mid-2017.

Duke Energy Florida will use natural gas transported by the pipeline to fuel its new \$1.5 billion power plant in Citrus County, Florida, scheduled to open in 2018.

Duke Energy also holds a 40 percent ownership stake in the proposed \$4.5 billion to \$5 billion



Atlantic Coast Pipeline – a nearly 600-mile natural gas pipeline from West Virginia through Virginia to North Carolina – scheduled to begin service in late 2018, pending regulatory approvals.

Duke Energy’s pipeline investments underscore the company’s commitment to build critical natural gas infrastructure in the Southeast, where natural gas has become an important power plant fuel that provides significant environmental benefits.

Natural gas power plants release significantly smaller amounts of CO<sub>2</sub> and other emissions than do coal plants.

### Political engagement informs policymakers about our preparations for the future

Duke Energy actively participates in the political process so local, state and federal lawmakers understand and consider the interests of the company, its customers, employees, shareholders, communities and other stakeholders when developing public policies. Duke Energy provides technical and intellectual expertise on potential costs, benefits and impacts of proposed policies to help lawmakers make educated decisions.

In 2015, the company’s reportable federal lobbying expenses (e.g., office space, salaries, consulting fees, event fees, etc.) included nearly \$892,430<sup>1</sup> in trade association dues used for policy research, information gathering and federal lobbying by organizations such as EEI and the Nuclear Energy Institute. In 2015, Duke Energy also contributed approximately \$945,485<sup>2</sup> to political organizations, such as the Republican and Democratic governors associations, which advocate for policies and mobilize voters, but do not directly support or oppose candidates. The company is legally prohibited from making direct contributions to candidates for U.S. federal political offices. In certain states, it is similarly prohibited from making direct contributions to candidates for state office.

Duke Energy’s Political Activity Policy requires company compliance with laws and regulations governing political contributions, government contacts and lobbying activities.

Duke Energy employees participate in the political process through DUKEPAC and Voices In Politics. DUKEPAC is a voluntary, nonpartisan political action committee that contributes to federal and state candidates. The committee pools employee contributions to support political candidates who support policies important to Duke Energy employees, customers, shareholders, the communities the company serves and other stakeholders. Such policies could involve utility industry structure; nuclear, coal, natural gas, hydro, wind or solar electricity generation; energy efficiency; environmental issues; tax reform or employee benefits (e.g., health insurance). DUKEPAC contributed \$876,100 to state and federal candidates and political organizations in 2015.

Voices In Politics is Duke Energy’s grassroots education and advocacy network. It educates employees on political and policy issues and encourages them to become active in the political process by supporting or opposing policies that could affect the company. The network occasionally issues a “call to action” regarding pending legislation that could affect the company’s operations, employees or stakeholders.

1 For trade associations with semi-annual dues over \$50,000.

2 For contributions in excess of \$1,000.



## Toray Industries Groundbreaking / South Carolina

### ECONOMIC DEVELOPMENT

The recent groundbreaking at Toray Industries in Spartanburg County, South Carolina, grabbed plenty of headlines.

To the casual observer, it appeared a group of company executives got together with state officials and representatives from Duke Energy and decided this was a good time and place to put up a building.

Not so.

Duke Energy's business recruitment team had actually been working on this economic development opportunity since 2007.

It took a long time to find just the right location and circumstances before anyone was ready to grab a ceremonial shovel.

There are a lot of states vying for the jobs and other economic benefits a prized company like Toray represents. And it takes the planning, patience, diligence and persistence of economic developers to achieve success.

Duke Energy works with its states and counties to make sure they're ready when an opportunity arises. The company currently maintains 15 sites in five states through its Site Readiness Program that have been groomed to entice new or expanding businesses.

Preparation is much more than lifting a shovel full of dirt.

*Photo caption: The groundbreaking at Toray Industries brought out Duke Energy CEO Lynn Good (second from left) and South Carolina Governor Nikki Haley (center, in light blue).*



"We've traveled the world, meeting with leading manufacturers and sharing our story. That's how we met Toray more than a half dozen years ago and that's how we'll continue to power manufacturing in the years to come."

**Clark Gillespy**  
President  
Duke Energy South Carolina