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| L | atest News | | | Activity List | News discovered ar | ound this company. |
| M | eo news uttimedia | - | Duke Energy Corporation | 3 Monthe Weekly | Communicar | - |
| | nancial Resu | lts | 526 South Church Street | | companies | |
| R | eports | ÷. | United States | 15.8 | Federal Energy (Southern Compan | R 19 y 19 (4) |
| | | | Phone: 1-704-5845200 | 15.4 | Public Service (Algonavia Gas T | D 73 |
| | | | Fax: 1-704-3824964 | 15.2 | Moody's C | 96 (* 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. |
| | | | http://www.duke-energy.com/ | 14.8 | Huaneng Interna American Elect | n 1 99 n 1 99 |
| - | | | Additional Company Links | Asg Sep Oct | Progress Energy FPL Group | / 40 Inc 32 |
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| | | | Ownership Type: Listed | DUK DUKN | Subjects | |
| | | | Auditor/Accountant: Deloitte & Touche, | Price 15.64 | Comercialinéur | |
| | | - | ELP (Delbitte Haskins & Sells) | Change 0.04 | Rogulation/Cove | r1356136 |
| | | • | Most Recent Stock Split: | Volume 1 434 900 | Press Rolez Federal Energy F | 101 7 61 89 |
| | | | 2.0 (29 January 2001) | Exchange | Earsir Share Price Mev | gs 67 5 |
| | | | Historical Stock Split(s): | New York Stock Exchange 52-Week High | Climate Char Equity Mark | 196 8 4 |
| | | | 2.0 (1 GCIDDel 1990) | 17.35 52 Wagle Low | Natural Gas Mar | k 62 |
| | | | | 11.72 | Emission Mar | ket 59 |
| - | | | | Currency USD | Industries | |
| | | | | Market Index DJ Utility Average, | Ena | gy 163 |
| | | - | | Fortune 500, S&P 500 | Electricity/Gas Electric Power 0 | |
| | | | | SP 500 | Multiutilit Wind Epo | ies 39 |
| | | | | | Electric Power C | 3 § 23 |
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| | | | | | Keywords | |
| | | | | | ouxe energy north carolina | |
| | | | | | armada data energy corporation | |
| | | | | | nuclear power | |
| | | | Business Description | | | |
| | | ; | Duke Energy Corporation (Duke Energy) i | is an energy company that provides its services | through three busine | ss segments. The |
| | | | Company's business segments are U.S. Fr ended December 31, 2008, Crescent was | ranchised Electric and Gas, Commercial Power a a reportable business segment of Duke Energy | ind International Ener However, in 2008, th | gy. During the year e Company included |
| | | | the operations of Crescent Other business from Diamond Castle Partners. In June 20 | s segment. In September 2008, the Company a | cquired Catamount En | ergy Corporation |
| | | | Development Corporation, a partially own | ed subsidiary of Maple Energy plc. | thergy, the norm me | hapie osa |
| | | | Reuters Extended Business Description | Datamonitor Business Descriptio | n | |
| | | | Datamonitor Products and Services | Datamonitor Overview and Histo | ry | |
| | | • | Datamonitor Company Statement | Datamonitor Swo1 Analysis | | |
| | | | FIGUREY ANGUSTRY GRESHCATION | | | |
| | | | Dow Jones Industry | Electric Power Generatio | n | |
| | | | SIC | 4911 Electric Services | | |
| | | | NACE | N/A | | |
| | | | NAICS | 221111 Hydroelectric Power Gen | eration | |
| | | | E Secondary Industry Classification | | | |
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| ley Facts | | | | |
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| Key Executives | | | Key Financials | Ne |
| Chairman of the Bo | oard, President, Chief | Executive Officer: Jim | Currency: | U |
| E. Rogers | | | Sales: | 13,207.00 |
| Group Executive, C | hief Financial Officer; | Interim President of | Sales Growth (1 year |): 3.83 |
| Commercial Busine | isses: Lynn J. Gaba Facident of Commerci | ial Rucinascast B. Keith | Last Reported Employ | yees 18,2 (33 Kalawara) 200 |
| Trent | readent of commerce | an palification of Kerbi | (Date): Employees Growth (1 | (27) EDIDARY 200 |
| Group Executive, P | resident & Chief Oper | ating Officer - U.S. | year): | 2.53 |
| Franchised Electric Senior Vice Preside | and Gas: Jun L. Turn sit, Treasurer: Stephe | er en G. De May | Last Reported Auditor (Date): | r Deloitte & Touche, LLP (Deloit Haskins & Sel (27 February 200 |
| | | | Market Cap (USD): | 20,228.89 (0. October 200 |
| | | | Not Income: | (9 October 200 1 362 00 |
| | | | Net Profit Matoin: | 9.68 |
| | | | EPS: | 1. |
| | | | Audit Fees (Including | Nos- 12 000 000 |
| | | | Audit Fees): | 12,000,000. |
| | | | Non-Audit Fees: | 0. |
| | | | Fiscal Year-End Date: | 31 December 20 |
| ource: Deuters | | | | |
| | n na ser en son ser ser s | | e na lanang sa | |
| 15,000 16,000 5,000 0 -12004 2005 Sales 10,000 20,000 | 2005 2007 2008 Net Income | 10,000 7,500 5,000 2,500 0 2004 2005 5,000 0 2004 2005 5,000 0 2004 2005 5,000 0 2004 2005 | 2006 2007 2008 ct/s Operations | 16,000 10,000 5,000 0 2004 2005 2005 2607 2008 United States E Canneda |
| 0 - 1 - 1 - 1 | College Change Married | <u> Bis</u> Jolochatloval Energy | r | as Latin America |
| 2004 2005 | 2006 2007 2008 | Strescent E. Other Frank South | | Ex Others |
| Source: Reuters | Veb News Multim | edia | | an a |
| Suggested Catego Legal/Judicial Owr | iries: All Performanc tership Changes Pres | e Bankruptcy Manage ss Releases Trade Articl | ement Moves Contracts, les Capacitles/Facilities | /Orders New Products/Services Earnings |
| | | | | Vlew |
| | | | | de di Oblack Diale Offican |
| . Duke Energy ; I Investment Weel | De May to Oversee f kly News, 17 October | Duke Energy Investor 2009, 489 words, (Engli: | Relations; Daji Appoin sh) | red Chier Risk Officer |

 Broadband Providers Urge FCC To Deny Pole Attachment Plea Telecommunications Reports, 15 October 2009, 636 words, (English)

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 Energy & Environmental Research Center; Panelists Announced for EERC's Seventh International Air Quality Conference Biotech Week, 14 October 2009, 432 words, (English)

| | Dow Jones Industry: Electric Power Generation Total Number of Companies: 512 | | | | | | | |
|---|---|--|--|-----------|---------------------|---------------------|-------------------|--|
| - | Rank | Company Name | Sales USD m | Employees | Market Cap USD m | Net Income USD m | Net Profit Margin | |
| | · 5 | Edison SpA | 15,857.46 | 2,961 | 9,140.46 | 511,39 | 3.27% | |
| | 6 | Pacific Gas & Electric Company | 14,628.00 | 21,451 | 0.00 | 1,199.00 | 0.00% | |
| ÷ | 7 | FirstEnergy Corp. | 13,627.00 | 14,698 | 13,964.51 | 1,342.00 | 9.95% | |
| | 8 | Duke Energy Corporation | 13,207.00 | 18,250 | 26,228.89 | 1,362.00 | 9.68% | |
| | 9 | MidAmerican Energy Holding Company | 12,658.00 | 15,800 | 0.00 | 1,850.00 | 0.00% | |
| | 10 | Alpiq Holding AG | 12,358.62 | 10,253 | 13,211.83 | 680.89 | 5.59% | |
| | 11 | Exelon Generation Company, LLC | 10,754.00 | 9,540 | 0.00 | 2,278.00 | 22.00% | |
| | 12 | NTPC Limited | 9,927.53 | 23,390 | 37,246.48 | 1,686.11 | 16.98% | |
| | 13 | Ameren Corporation | 7,839.00 | 9,524 | 5,412.83 | 605.00 | 8.22% | |
| ÷ | 14 Compe | Electric Power Development Co., Ltd. Atition List from Reuters Research | 7,383.85 | 6,581 | 4,600.07 | 203.84 | 2.77% | |
| | Source | Reuters | an a | | | | | |
| 1 | Note: 1 | Based on publicly traded company data. | | | | | | |

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| • | Energy Econo | mist | | | | | | |
| | ANALYSIS; US po US power price management an growth and low fundamental str 2627 words 1 September 2009 Energy Economist ENEC ESSN: 0262-7108 English | wer outlook we d energy ei prices. This uctural shif o , Issue 335 | akens; Power output from US re fficiency measures have gathere s might be temporary fallout fro ft in the US power market. | enewables has expanded as if the recession had ad momentum. The outlook for the power indust m the recession, but it could also reflect deman | never happened. I ry is now one of to d destruction that | Demand-side :pid demand belies a more | | |
| | Copyright 2009 M | cGraw-Hill, I | inc. | | | | | |
| | Based on long-ter out to 2030, accor in 2009 after a 1,1 by initiatives now | m trends in j rding to the l 6% drop in 2 under way a | power usage and population growtr Energy Information Administration, 2008, before returning to growth of at both state and federal level. | but it has fallen steadily throughout the recession. The optimized of the steadily throughout the recession. The optimized of the stead of the st | ing at a rate of 1.0% he EIA expects election rebound could be not | a year on average icity use to fall 2% egatively affected | | |
| | The récession, an initiatives have co the recessionary p fired generation, a been cut by 58.15 | expected ca mbined to cr period, althor an already sr % from the | p-and-trade bill for carbon emission reate a complex set of drivers for th ugh prices are down for all. Compar nall and declining sector. While in A period two years earlier. | is, the success of shale gas, support for renewables a le US power industry. But in terms of output, there al ing output in April with that two years earlier, the wo worll 2007 it provided just 1.26% of US electrical power. | nd Demand-Side Ma re aiready clear winn irst hit segment of th er, by April this year | ладетенt lers and losers from le industry is oil- , actual output had | | |
| | However, it is coal that has seen the largest downturn in absolute terms. Electricity generated from coal, the United States' power industry mainstay, dropped 13.27% between April 2007 and April 2009. By contrast, output from natural gas-fired plants rose 2.15%, supported by much lower gas prices, and nuclear 3.19%. Conventional hydroelectric generation was also up 5.58%. | | | | | | | |
| l t | But the big winner recession at all. R total US power ou 2008. | r is renewabl enewables of tput dropped | les. Taken in isolation, the trend in utput continues to grow steadily. Po 1 4.64% over the same period. Ren | US renewables power output gives no Indication that ower output from this segment in April was up 40.94% ewables, though, remains a small portion of the mark | there has been a fin %, compared with Ap ket, providing just 39 | ancial crisis or xrll 2007, while % of US power in | | |
| | However, all powe \$120/MWh in July Jay-ahead power Jespite some rece | er producers 2008 to just prices half fr int huge but | have been hit by declining prices. I t \$30-\$40/MWh in July this year. Al rom July last year. In addition, the l short-lived spikes. | n the Into Cinergy and PJM West regions, day-ahead though showing some signs of recovery, the Palo Ver Houston pricing point in Texas's ERCOT interconnectio | prices have dropped de and Mid-C region on has seen a steady | from over \$90- s have also seen downward trend, | | |
| 1 | Earnings slump | | | | | | | |
| | The tough pricing companies, posted combined capacity | environment t a small sec v of 24,187 M | t has been reflected in second-quar cond-quarter profit, but earnings we 1W, reported a second-quarter loss | ter earnings. North Carolina-based <u>Duke Energy</u> , orie we down 21% from a year earlier. <u>Calpine Corp</u> , whic of \$78 million, compared with a \$197 million profit ir | the US' largest elect h owns 62 gas-fired) second-quarter 20(| rical power plants with a)8. | | |
| , | Baltimore-based (million in charges Energy Future Hol erritory by rating | Constellation relating to d dings, which s service <u>Mo</u> | Energy reported income of \$28.3 m livestments. CEO Mayo Shattuck sal has a coal-heavy fleet, appears to ody's in August. The company repo | nlllon, compared with \$175 million in second-quarter Id demand destruction had occurred in nearly every n be getting further into financial difficulties and saw it rted a \$155 million loss in the second quarter. | 2008, owing princip narket in the US. Tex s ratings lowered de | aily to \$123.8 kan company, eper into 'junk' | | |
| j (T | PPL Corp., based i domestic electricit narketing and tra | n Pennsylva y sales and u ding and the | nia, said that it made a \$7 million lo unfavorable currency exchange rate continued decline in 2010 wholesa | uss in the second quarter, owing primarily to lower wi s. PPL also reduced its 2010 earnings projection base le electricity prices. | nolesale energy marg ed on expectations o | gins, lower flower margins in | | |
| l a c f | Fexas's RRI Energ NRG shored up its as one of the facto quarter income fal fell 21.7%. | y posted a lo books for th ors driving do I to \$72.6 m | ass of \$103.7 million in the second on equarter. CEO Mark Jacobs pointer own earnings. <u>Allegheny Energy</u> , willion from \$154 million in the year | quarter on its continuing operations, although income d to plummeting gas prices negatively affecting the p tich has a coal-heavy fleet serving mainly Pennsylvar earlier period. Total sales were down 7.2% in the qu | ; from the sale of <u>Re</u> rofitability of the cor na and West Virginia arter, while the comp | liant Energy to npany's coal plants , saw its second- aany's generation | | |
| | OSM impact | | | | | | | |
| t t | While the EIA is pre- electricity prices. S their investments. can take to give u | redicting a pi Several state Minnesota i tilities incent | ick-up in electricity demand in 2010 is are implementing programs to cu aw directs its utilities to cut electric tives for cutting power use. |), capacity additions, as well as DSM initiatives threat it demand for power. To do so they are often changin demand by 1.5% a year. The state's Public Utilities (| en to undermine any g the way utilities ar Commission is also re | recovery in e rewarded for eviewing steps it | | |
| i I r t | in Nevada, NV En million in 2009 on the Public Utilities to reduce demand | ergy, the sta energy effic Commission by 125 MW | te's only investor-owned utility, is a iency and DSM programs, and plan: of Nevada to spend \$95.8 million i in 2010, 154 MW in 2011 and 166 | allowed to earn an extra rate of return on its efficienc s to roughly double its investment in the efficiency ar n 2010, \$108.3 million in 2011 and \$124.3 million in MW in 2012. | y programs. NV Ener ena. It is also seekin 2012, The utility exp | gy is spending \$47 g permission from sects the programs | | |
| i t | At federal level, th by 4% in the perio 55 GW in 2030, th | e governme ad to 2030, a e report said | nt plans to issue various appliance according to a recent report by the a d. | efficlency standards over the next four years. Those : American Council for an Energy-Efficient Economy. Th | standards alone coul: ne standards could ci | d reduce power use ut peak demand by | | |
| : 1 \$ V | in addition, the Ar \$16.8 billion for ei weatherization ass | nerican Reco tergy efficier distance prog | every and Reinvestment Act include ncy measures, including \$3.1 billion grams, and \$4.5 billion for a varlety | s funding for a variety of DSM and energy efficiency for state energy programs, \$3.2 billion for energy ef of initiatives under the rubric of 'smart grids'. | measures. The stimu ficiency block grants | lus bill allocates , \$5 billion for | | |
| ן כ נ ר | lean-Louis Poirier, demand managem 5%. A recent repo reduce forecasted | senior strat lent and dist int by the Fea US peak ele | egist at GF Energy, estimates that I inbuted generation resources to the deral Energy Regulatory Commissio ctricity demand between 37 GW an- | the smart grid allocations in the Recovery Act could a grid by 2020. The net effect could be that peak dem n estimated an even higher potential impact from DS d 188 GW by 2019. | dd as much as 35 G ¹ and is reduced by be M programs. It estin | W to 70 GW of tween 3% and nated they could | | |

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Demand destruction

These factors have prompted consulting firm Pace to lower its demand estimates. Over the past several years, forecasting organizations, including the North American Electric Reliability Council and Pace, have projected US electricity demand growth to approach 2% per year over the next ten years and longer. Pace now believes that demand growth could be less than half that rate over the next ten years under some conditions and that the US rate of load growth could continue to decline with efficiency improvements and more aggressive demand-side management by utilities and load-serving entities.

These factors contribute to what <u>Public Service Enterprise Group</u>, in an internal publication, called a double whammy. "Getting less money for every item sold certainly hurts profits, but it is compounded when less of the product is sold as well. Unfortunately, that's the situation faced by <u>PSEG Power</u>," the company's unregulated generation unit, the report said.

Usually when prices go down it stimulates people to buy more of that product or service, but DSM could prompt a permanent downward shift in demand. Spokesman Paul Rosengren said that PSEG is going to be watching carefully to see if "customer demand returns to more normal levels or if there has been significant demand destruction."

On the regulated side, Mark Kahrer, vice president of finance at Public Service Electric & Gas, noted that sales at the utility were down 1.5%, but that they could drop by as much as 2%. Part of the answer, Kahrer said, is to get offsets from energy efficiency programs. PSE&G's strategy is "to continue to make investments in energy efficiency so it becomes almost neutral."

Renewable competition

On the supply side, some analysts argue that there is too much emphasis on renewables -- adding uneconomic generation in not just bad for prices, it could have wider negative repercussions, they say. If demand continues to decline or grow slowly, energy prices can be expected to follow, and that does not provide a strong incentive for new renewable development, said Art Holland, vice president of utility and risk services at Pace.

The possible impact of new renewable generation capacity coming online is also a concern for Paul Fremont, an analyst with <u>Jeffries & Co</u>. Much of the renewable generation that is being built is not being driven by the economics of supply and demand, but is being built to satisfy regulatory and legislative mandates, he said. If environmentally friendly generation continues to be added irrespective of supply and demand, it could change the fundamentals, he argues. "For merchants, the period of attractive pricing has been pushed out, and it may not occur," he warned.

George Given, head of global power for Wood Mackenzie, said in a recent report that the confluence of negative load growth, a weak recovery and low fuel prices is compressing margins and creating a "perfect storm" for merchant generators. He said that significant amounts of new capacity, much of it coal-fired, are expected to come online by 2013, which would help sustain the overbuild and delay the rebound. Whether one sees new coal-fired plants or new renewable additions tilting the supply equation, if supply is added and demand continues to weaken, it does not bode well for a rebound in power prices.

Even if output from renewables shows a strongly rising trend, it doesn't mean that renewable energy companies are escaping entirely unscathed from the recession. California-based wind turbine maker Clipper Windpower said in August that it expects 2009 full year margins to benefit from lower component, manufacturing and remediation costs compared with 2008. But it noted that the US market for wind turbines remained depressed throughout first-half 2009, owing to a significant decrease in project finance availability, resulting in a dramatic industry-wide decrease in turbine orders versus first-half 2008. The situation is beginning to improve, though, "as financing begins to return to the market."

Clipper said it had delivered 127 wind turbines through June 30 and expects to deliver about 300 turbines comprising 750 MW this year. The company also reported its Britannia 10 MW offshore wind turbine "continues to advance with design completion scheduled by the end of 2009 and component testing planned to start in 2010."

In another sign of uncertainty, power giant FPL Group said it planned to cut back its wind energy growth despite the strong performance of its renewables affiliate. FPL said it would slash the amount of wind capacity it plans to build in 2010 by 28%. It pointed to lower electricity demand, which it said is making US utilities reluctant to sign fong-term power purchase contracts. CFO Armando Pimentel said FPL now intends to construct 1 GW of wind projects in 2010, down from 1.4 GW planned earlier.

He sald, "We continue to believe this is not the market to be building uncontracted plants." Pimental said FPL's decision to reduce its planned wind capacity expansion is a direct result of the economic recession that has cut US power use 4% year-over-year. But he noted that the situation could quickly change: "The Senate could get more serious about a climate bill, even a renewable energy portfolio standard, but based on today, we see a lower power purchase agreement market in 2010."

Legislation establishing a national cap-and-trade program for carbon emissions is the only way to ensure renewable energy can compete with traditional generating sources, FPL Chairman and CEO Lew Hay told analysts. Although the US House of Representatives passed a broad energy and climate-change bill in late June, the Senate has put off action until it returns from its recess in September.

FPL, through its unregulated generating unit NextEra Energy, has 820 MW of wind capacity under construction or approved, and expects to add 1 GW in 2009, Pimentel said. NextEra, which describes itself as the largest wind and solar generator in North America, has 17 GW of renewables capacity in operation. In releasing it quarterly results, FPL said NextEra's net income grew \$183 million, while net income at its rate-regulated power utility, Florida Power & Light, fell \$4 million.

Structural shift

Renewables, other than conventional hydro, made up only 3% of total US power output in 2008, but the sector is expanding despite the recession, sheltered by stimulus spending, incentives and state level mandates for its use. Demand-side management is also a continuing growth area and both it and renewables are likely to benefit from cap-and-trade legislation. Although both small relative to the size of the overall US market, the two together could have a material impact on the need for more traditional generating plant, and this impact will be accentuated in a slow demand growth environment.

The fall back options, given cap-and-trade penalties that become tougher over time, are natural gas and nuclear, rather than coal. Owing to the success of shale gas development, US gas reserves are on the rise, while the country still has significant resources that could be brought to the lower-48 market from Alaska and Canada's MacKenzie Delta. Given also more than sufficient LNG regasification capacity, natural gas prices look likely to stay low, providing tough competition for coal. Not only will cap-and-trade legislation make coal more expensive to develop and burn relative to natural gas, but more abundant gas in the US could undermine coal as the default option in terms of energy security.

Where this leaves nuclear is more uncertain. In a low growth, low price scenario, in which capital remains hard to come by, nuclear financing is unlikely to become any easier. Nuclear's prospects as a low-carbon technology are more likely to be driven by the need for plant replacement than to meet new demand growth. Because of its current low market penetration, a lot of renewable power generation capacity could be added to US grids without the need for much additional reserve capacity. This would also be helped by overall weak demand growth. Coal, nuclear and gas would then have to battle it out to see which replaces the more aged sections of the US power floet.

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| C | ynegy Inc. |
| T | he Southern Company |
| A | merican Electric Power Company, Inc. |
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| S | nurce: Reuters Publication Date: 07-Oct-2009 |
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| | Overview and History |
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| | Overview |
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| | Duke Energy Corporation (Duke Energy) is an energy company engaged in generation, transmission, and distribution of electricity. It is also engaged in natural gas transportation, distribution, and storage, risk management, and energy marketing. The company primarily operates in the US. The company is headquartered in Charlotte. North Carolina and employs about 17.800 people. |
| | The company recorded revenues of \$12,720 million during the financial year ended December 2007 (FY2007), an increase of 19.9% over the financial year ended December 2006 (FY2006). The operating profit of the company was \$2,493 million during FY2007, an increase of 36.9% over FY2006. The net profit was \$1.500 million in FY2007, a decrease of 19.5% compared with FY2006. |
| | Duke Energy Corporation (Duke Energy) is an energy company engaged in generation, transmission, and distribution of electricity. The company's key products and services include the following: |
| | US franchised electric and gas: |
| | Beyon supply and delivery |
| | Transmission and distribution |
| | Asset planning and management |
| | International energy: |
| | |
| | Power and natural gas sales and marketing (outside the US) |
| | Energy infrastructure management and operation |
| - | |
| | Commercial power: |
| | Non-regulated merchant nower plants management and operation |
| | Wholesale marketing and procurement of electric power |
| | Crescent Resources: |
| | |
| | Commercial real estate development Residential real estate development Land management |
| | Other activities: |
| | Commodity buying and selling |
| | Insurance and reinsurance services |
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| | · |
| | History |
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Duke Energy Corporation (Duke Energy) was established in 1904 as the Catawba Power Company. In the same year, the company founded the Catawba Hydro Station, located in York County, which became the first generating station on the Duke system. This was followed in 1907 by the first steam plant operated by Duke Power, a 1500-kilowatt steam engine leased from the Highland Park Cotton

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Profile

Duke Energy is the third largest electric power holding company in the United States, based on kilowatt-hour sales. Our regulated utility operations serve approximately 4 million customers located in five states in the Southeast and Midwest, representing a population of approximately 11 million people. Our commercial power and international business segments own and operate diverse power generation assets in North America and Latin America, including a growing portfolio of renewable energy assets in the United States.

| Contents | | | | |
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| Redefining Regulation | | | | |
| Redefining Climate Legislation | | | | |
| Redefining Our Boundaries | | | | |
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| Forward-Looking Statement | | | | |
| Investor Information | | | | |
| Duke Energy at a Glance | | | | |



this increase in energy efficiency has no impact on their comfort and convenience. In fact, in other areas where this technology is in use, customers often aren't even aware of it until they see the savings on their monthly electric bill.

This grid optimization project is just one way we are using new technologies to go beyond the meter — to create new partnerships with our customers to significantly increase energy efficiency and reduce our environmental impact.

Regulation Focus

Imagine a regulated utility where customers are charged for the value they receive instead of the costs incurred. In such a world, utilities would focus on lowering their costs and delivering valuable services to customers. If the services don't produce value, the customer doesn't pay.

This is the basic premise behind Duke Energy's innovative save-a-watt approach to energy efficiency. It is a fundamental shift away from the traditional cost-of-service model, focusing instead on a value-of-service regulatory model. Under save-a-watt, Duke Energy must ensure that its energy efficiency programs produce value in the form of verifiable energy reductions in order for the company to recover its costs.

This simple concept changes the utility's focus from spending money to creating value for customers. Such a transformation is not simple. In traditional cost-of-service regulatory models, customers pay a charge for every kilowatt-hour they consume. Utilities recover their costs and earn a return for investments in physical assets (such as power plants, poles and meters). But energy efficiency undermines the utility's profitability through reduced sales.

On the other hand, the save-a-watt model provides compensation based on the value created — a portion of the *cost avoided* from not building new plants. It also provides a comparable return on investments in physical assets.

Unlike other regulatory approaches to energy efficiency, save-a-watt ensures customers only pay for actual reductions in energy use because all programs undergo a rigorous thirdparty process to verify their energy savings.

Under more traditional regulatory models, customers pay for energy efficiency programs, regardless of whether they achieve the intended results. If power has to be sourced to compensate for a shortfall in energy efficiency, customers end up paying twice once for the energy efficiency programs and again for the cost of the power. But under the save-a-watt model, the utility takes the risk: if the intended energy efficiency results aren't achieved, the customer doesn't pay.

Because returns are based on customer value and not on how much was spent on the programs, the save-a-watt model ensures that the utility stays focused on lowering costs and increasing energy reductions for customers. This also encourages the utility to develop innovative energy-saving services that will achieve more energy reductions and lower costs for customers.

For example, to increase customer adoption and awareness, we are partnering with major retailers on new energy efficiency products. Furthermore, we're working with local companies to hire additional staff to implement our programs. Customers who participate in the save-a-watt program will save money by reducing their usage. Additionally, all customers will save money because over the long term, the utility will be able to defer building new power plants. Better yet, combining energy efficiency with a smart grid — another Duke Energy initiative (see page 20) — will generate even more savings.

The save-a-watt approach to energy efficiency will help customers save money, create jobs for our economy and reduce environmental impacts. At the same time, it provides utilities with a way to grow their business. It truly is a win for customers, the local community, investors and the environment. Our save-awatt program was approved by Ohio regulators late last year. We continue to seek its regulatory approval in the other states where we have regulated utility operations.

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