

generation/next

The Road Ahead:

Shaping the future

What drives us

OUR PURPOSE

Power the lives of our customers
and the vitality of our communities.

OUR PRIORITIES



Customers • Employees
Operational Excellence • Growth

Who we are

OUR VALUES

Safety • Integrity • Service

Where we're going

OUR VISION

Lead the way to cleaner, smarter energy solutions
that customers value.

OUR STRATEGY



Transform the Customer Experience



Modernize the Power Grid



Generate Cleaner Energy



Engage Employees and Stakeholders

We are using this Road Ahead framework throughout Duke Energy to ensure a shared focus on what's important.



Cari Boyce / Vice President – Policy, Sustainability and Stakeholder Strategy

2015 Recognitions

- For the 10th consecutive year, Duke Energy was named to the Dow Jones Sustainability Index for North America.
- The Newsweek Green Rankings, “America’s Greenest Companies in the U.S. 2015” ranked Duke Energy No. 111 (No. 7 in our industry, in the top third for electric utilities), up from 159 in 2014.
- Black Enterprise Magazine named Duke Energy to its 40 Best Companies for Diversity with a rank of No. 11 among the 1,000 largest U.S. companies.
- Greentech Media named Duke Energy to the Grid Edge 20, honoring companies that are shaping the electrical power sector’s transformation.
- The Edison Electric Institute (EEI) presented Duke Energy with its Emergency Recovery Award for outstanding power restoration efforts after two 2014 severe winter storms in the Carolinas.

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About This Report

The electric utility industry is changing, and Duke Energy is changing with it. This year’s Sustainability Report focuses on how Duke Energy is adapting to meet the evolving needs of our customers. We are fine-tuning our business approach and better integrating innovation and technology as we prepare for a future that includes complex environmental regulations, global efforts to stem climate change and variable customer usage trends.

Even in this time of transition, maintaining a focus on our customers and the communities we serve, employee engagement and development, and operational excellence is central to our mission.

Sustainability is an integral component of Duke Energy’s fabric. With our recent reorganization and the growth of our Sustainability Corps, we now have sustainability-focused employees throughout the company rather than centralized in one department.

This approach is allowing sustainability to spread and grow at Duke Energy. It has taken root across all areas of the company. Doing what’s right for people, planet and profits is a belief we all share.

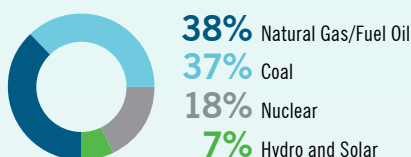
For those of you familiar with our past reports, you will still see a wealth of great data compiled in one place. There are both online and print versions of this year’s report available. On our website, you will also find a detailed Global Reporting Initiative index. As always, we aim to make sure our information is comprehensive, clear and paints an accurate picture of the company. Thank you for your interest in Duke Energy.

Cari Boyce
Cari Boyce
*Vice President –
Policy, Sustainability and
Stakeholder Strategy*

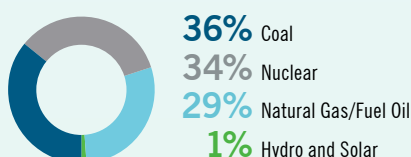
Duke Energy At A Glance

Regulated Utilities

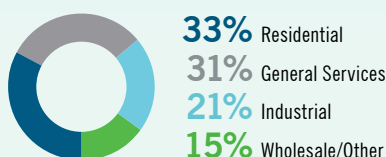
Generation Diversity (percent owned capacity)¹



Generated (net output gigawatt-hours (GWh))²



Customer Diversity (in billed GWh sales)²



Regulated Utilities consists of Duke Energy's regulated generation, electric and natural gas transmission and distribution systems. Regulated Utilities generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost.

Electric Operations

- Owns approximately 50,200 megawatts (MW) of generating capacity
- Service area covers about 95,000 square miles with an estimated population of 24 million
- Service to approximately 7.4 million residential, commercial and industrial customers
- 263,900 miles of distribution lines and a 32,300-mile transmission system

Natural Gas Operations

- Regulated natural gas transmission and distribution services to approximately 525,000 customers in southwestern Ohio and northern Kentucky

Commercial Portfolio

Generation Diversity (percent owned capacity)¹



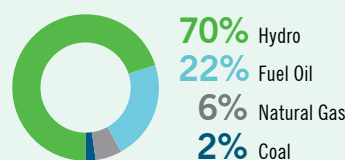
Commercial Portfolio primarily builds, develops, and operates wind and solar renewable generation and energy transmission projects throughout the continental U.S. The portfolio includes nonregulated renewable energy, electric transmission, natural gas infrastructure and energy storage businesses.

Commercial Portfolio's renewable energy includes utility-scale wind and solar generation assets which total more than 2,500 MW across 12 states from more than 22 wind farms and 38 commercial solar farms. Revenues are primarily generated by selling the power through long-term contracts to utilities, electric cooperatives, municipalities, and other customers.

- Duke Energy currently has about 1,950 MW of wind and solar energy in operation (pie chart excludes 538 MW, which are from equity investments)

International Energy

Generation Diversity (percent owned capacity)¹



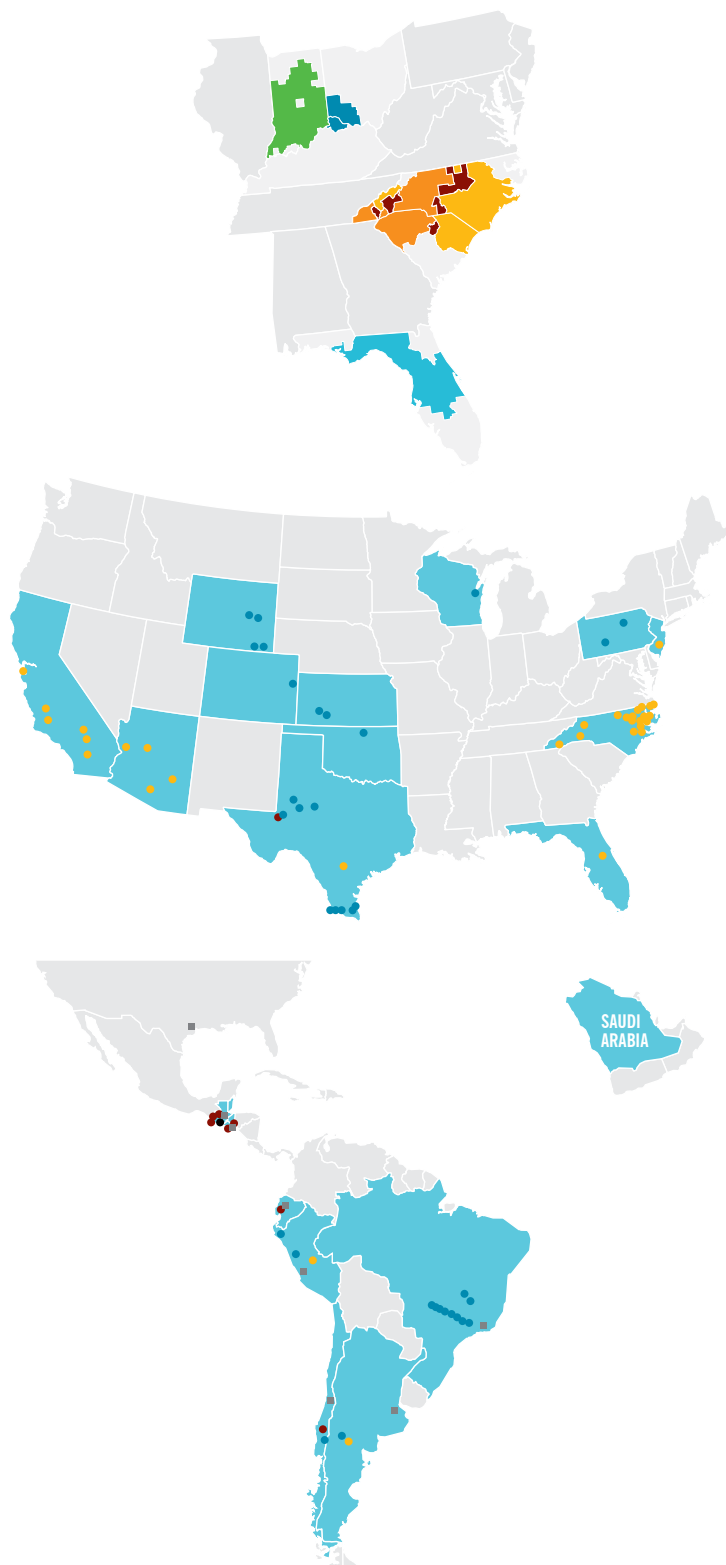
International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company (NMC), a large regional producer of methanol and methyl tertiary butyl ether (MTBE) located in Saudi Arabia. In February 2016, Duke Energy announced it intends to exit its International Energy business segment, excluding the investment in NMC.

- Owns, operates or has substantial interests in approximately 4,300 net MW of generation facilities
- Nearly two-thirds of International Energy's generating capacity is hydroelectric

¹ As of December 31, 2015.

² For the year-ended December 31, 2015.

Maps Of Operations



Service Territories

Counties Served

- Duke Energy Indiana
- Duke Energy Ohio/Kentucky
- Duke Energy Progress
- Duke Energy Carolinas
- Overlapping territory
- Duke Energy Florida

Commercial Renewable Projects

Solar and Wind

- Solar power projects
- Wind power projects
- Battery storage facility

International Offices And Assets

- Office
- Fuel oil
- Natural gas
- Coal
- Hydro



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

A Message From Our CEO

Dear stakeholders:

At Duke Energy, 2015 was a year of accomplishment and new beginnings. We took bold strides to better serve our customers – today and in the future – by embracing new technologies and applying innovative solutions to address their diverse and changing needs.

Committed to safety

We view safety through the lens of employees, communities and the environment. Of all our achievements in 2015, I'm most pleased by what we accomplished in this area. Our employee Total Incident Case Rate, a key safety performance measure, decreased by almost 30 percent, making Duke Energy one of the best in the industry, and we continue to strengthen contractor safety.

I'm equally proud of the industry-leading solutions we developed for safely managing coal ash. We are working to close all our coal ash basins in ways that protect our communities and the environment.

An industry in transition

We are part of a dynamic industry that is being reshaped by evolving customer expectations, rapidly changing technologies and new public policies. One of our more significant achievements in 2015 was the development of a long-term, customer-focused strategy for the future to address the transformation. We are providing smarter energy solutions by generating

cleaner energy, modernizing the power grid and transforming the customer experience.

Generating cleaner energy

Duke Energy is a leader in the transition to cleaner energy solutions. Since 2005, we have reduced our tons of carbon emissions by 28 percent.

Last year, more than 40 percent of our electricity came from carbon-free sources – largely due to our nuclear fleet, which accounted for a third of our total generation in 2015. We are evaluating extending the life of our existing nuclear plants and possibly building new ones.

Natural gas has also played an important role in this transition. We've significantly expanded our natural gas platform through new gas-fired power plants, pipeline investments and the planned acquisition of Piedmont Natural Gas.

In the Carolinas alone, we've retired half of our coal plants and replaced them with new natural gas plants and renewables – which will be an increasing part of our portfolio in the future. In the U.S., we've already invested \$4 billion in wind and solar energy facilities since 2007 – enough to power about 740,000 homes at peak production – and plan to invest \$3 billion more over the next five years.

Modernizing the power grid

In order to meet our customers' expectations and integrate new technologies, we are modernizing the power grid. Our goal is to improve the customer experience by making

“Transformation of the power industry is a complex and dynamic process. We serve more than 24 million people every day with a vital service. As we continue this journey of transformation, working with all stakeholders will be important to get it right.”

power outages increasingly rare and service restoration faster – advancing self-healing technologies and smart meters.

As more renewables are added to our system, the grid will need to evolve. The intermittent nature of these technologies is placing new demands on the grid, including the need for a two-way flow of electricity.

Batteries are important in overcoming this challenge and we are working to realize their greatest potential on our system. From a wind farm in Texas to a microgrid in North Carolina, we are investing in battery projects around the country to learn more about this technology.

Transforming the customer experience

Customer expectations are evolving; they want choice, control and convenience along with affordability and reliability. At Duke Energy, customers are at the center of everything we do and we are working hard every day to meet these changing expectations.

We’re communicating with customers in ways they prefer, such as through our social media channels, two-way texting for outage reporting and high-usage notifications. Customers want more control over their energy usage, and we’ve responded with energy efficiency programs that also help promote a lower-emission future. Earlier this year, one of our residential programs reached a milestone of one terawatt-hour of electricity saved – enough to power 70,000 homes for a year.

We have seen modest improvement in customer satisfaction scores over the course of 2015, but our work is never over. We will continue to focus on what is important to customers, including fair prices, reliable power and cleaner energy sources.

Shaping the future together

Transformation of the power industry is a complex and dynamic process. We serve more than 24 million people every day with a vital service. As we continue this journey of transformation, working closely with all stakeholders will be important to get it right, including the pace and timing of investments in new technologies. At Duke Energy, we will focus on the unique requirements of each customer, building infrastructure for thriving communities and creating a safe energy future.

Sincerely,



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

April 8, 2016

How Duke Energy Creates Value — 2015

As stakeholders of Duke Energy, it's important to understand how the company uses financial, natural and human resources to create the value investors, employees, customers and communities expect.

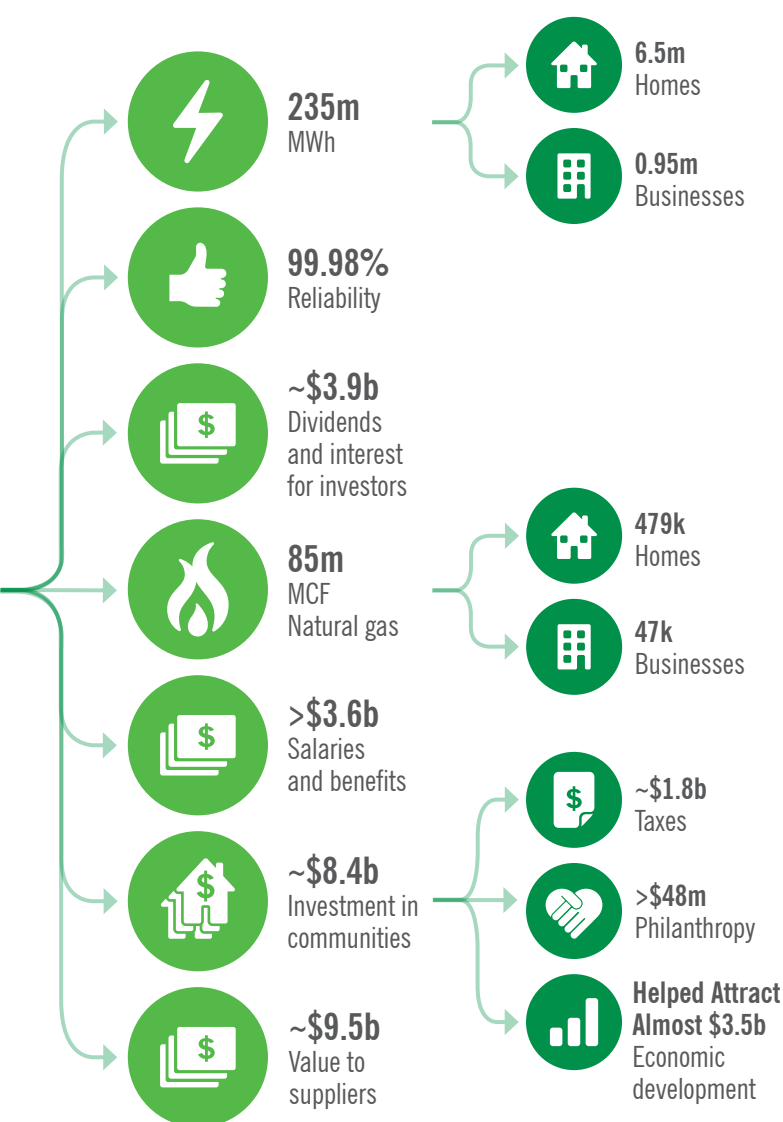
It's also important to know the “what's next” in that equation. We must be stewards of the natural resources we rely on today, but also move forward to promote cleaner power and a more efficient business for the next generation. That's how you create sustainable value for all stakeholders.

It starts with being a good neighbor. Establishing and maintaining the trust of stakeholders while moving toward a clean, healthy, natural environment with successful communities and strong financial performance. That's Duke Energy.

Our value creation model >

Value Created

Powering lives, supporting people and fueling the economy.



Major Resources

Production of electricity requires coal, natural gas and other materials extracted from the earth. The company also needs water to produce electricity at hydroelectric facilities – and cooling water for fossil fuel and nuclear plants. And we need employees to make it all work. Duke Energy is committed to recruiting and retaining a highly skilled workforce to ensure long-term success of our operations. Our No. 1 focus continues to be safety for those working for us – and the general public.

Evolving Business Model

Duke Energy's goal is to produce and deliver reliable and cost-effective energy to homes and businesses. But customer expectations and technologies are changing. People are seeking ways to more actively manage their energy consumption. Customers are demanding Duke Energy be more nimble to deliver new services. Communication systems are changing from one-way to two-way. Helping our customers increase their energy efficiency is also part of the company's evolving business model. In the past, the company made money on how much power it sold. The new business model is a combination of selling electricity and helping save it for customers.

Impacts

Part of Duke Energy's mission is to minimize our environmental impact. Therefore, we track our impacts and strive to improve. We emit 0.99 pounds of carbon dioxide for every kilowatt-hour (kWh) of electricity produced. But that's lower than 1.2 pounds produced 10 years ago. About 98 percent of the water Duke Energy uses is returned to streams and rivers. But the company does consume water – about 79 billion gallons in 2015.

Value Created

Putting a value on the electricity and natural gas Duke Energy sells is easy. Add up all the energy bills in 2015 and the company's total revenue was around \$23.5 billion. It's harder to put a price on what that energy is really worth – it powers the economy like no other commodity. Duke Energy also supports communities with the taxes it pays, as well as through philanthropic contributions and employee volunteerism.

Investors also receive value from Duke Energy in the form of growth, dividends and interest payments. We also employ more than 28,000 people. They, like the vendors we use, play their own part in supporting the communities where they live and work. The value Duke Energy creates isn't limited to power generation – it's a steady stream from many areas. It's not a simple story, but it's a story with impact.

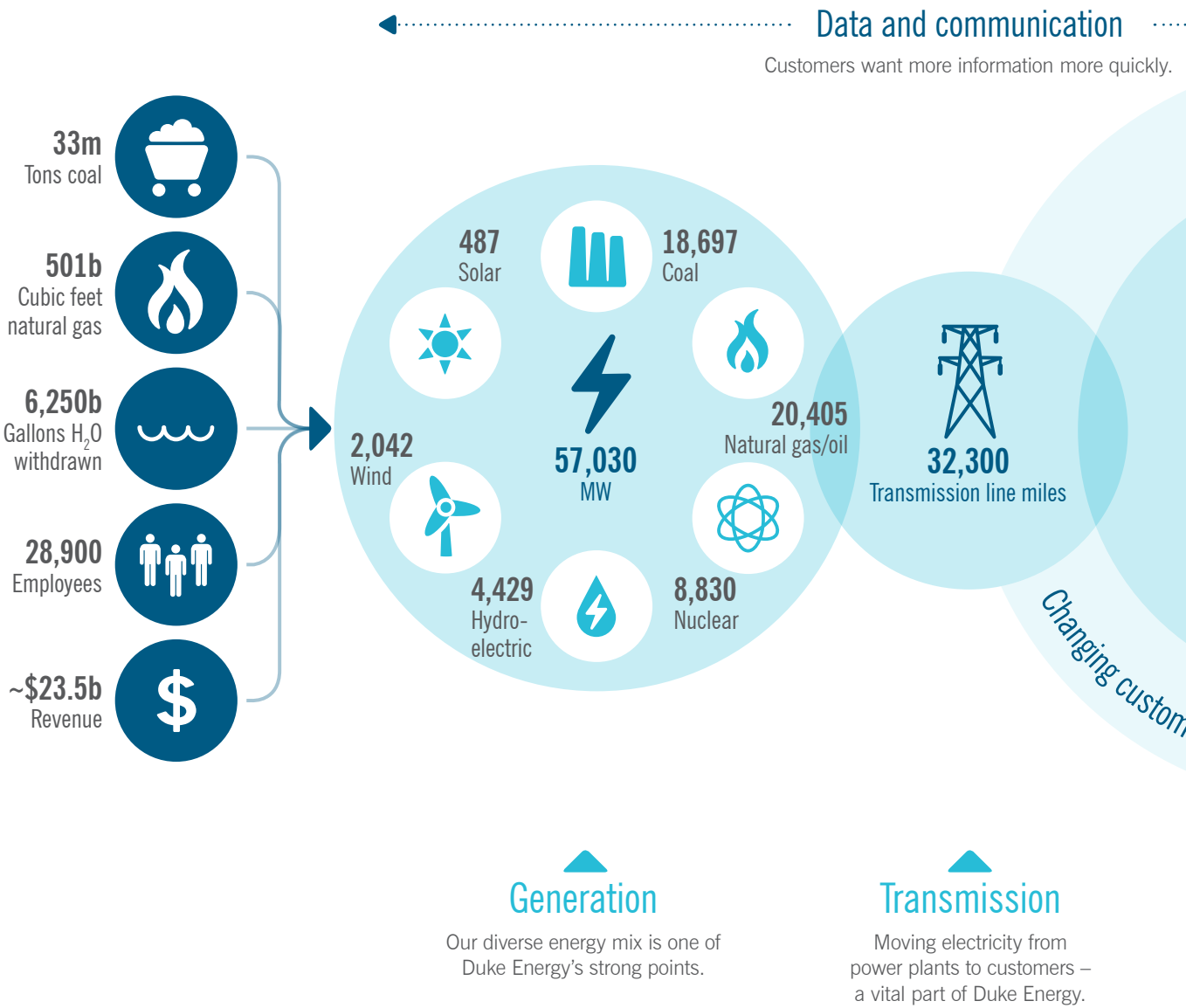
Our Value Creation Model

Major Resources

Creating value starts with the basics – the staples of a good energy company.

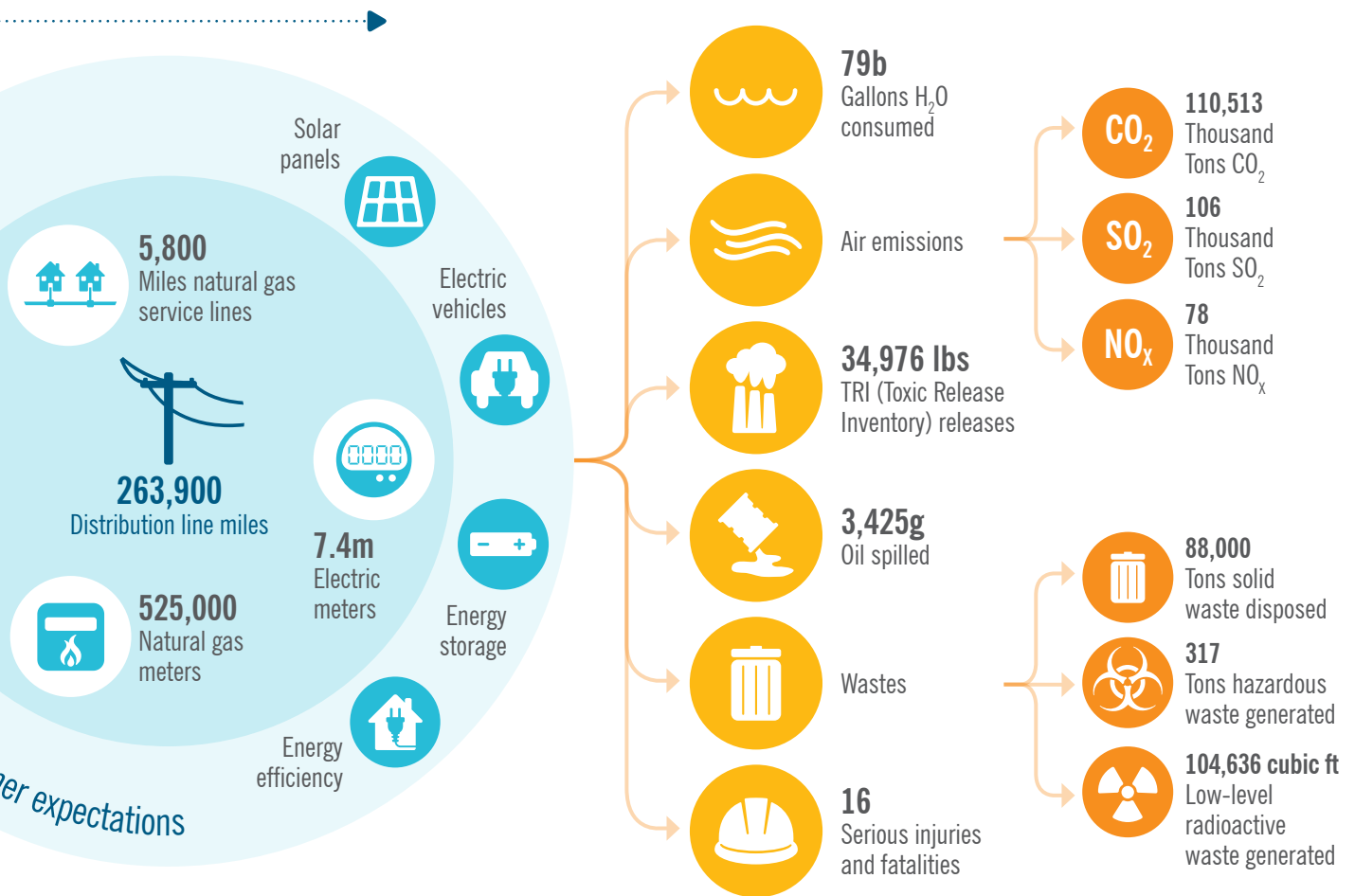
Evolving Business Model

As technology and customer expectations change, Duke Energy must change with them.



Impacts

Generating energy creates environmental and other impacts. Duke Energy works hard to reduce them.



Distribution

New technologies mean Duke Energy must adjust how it delivers to customers – it's not one-size-fits-all.

The information presented here is meant to provide an overview of Duke Energy and is not meant to be precise or inclusive of all the company's inputs and outputs. Please see the 2015 Duke Energy Annual Report Form 10-K for detailed notes and further explanations of financial information and this Sustainability Report for more social and environmental information.

Our Sustainability Plan And Goals

1

Customers

Improve the lives of our customers and vitality of our communities.

GOALS:

- **Affordable energy:** Maintain rates lower than the national average.

2015 Status: Duke Energy's rates were lower than the national averages for all three customer categories in all six states we serve.

- **Energy efficiency:** Achieve a cumulative reduction in customer energy consumption of 15,000 GWh (equivalent to the annual usage of 1.25 million homes) by 2020.

2015 Status: As of year-end 2015, energy consumption was reduced by more than 11,000 GWh.

- **Energy efficiency:** Achieve a cumulative reduction in peak demand of 4,800 MW (equivalent to eight 600-MW power plants) by 2020.

2015 Status: As of year-end 2015, peak demand was reduced by more than 4,700 MW.

Potential changes in state energy efficiency rules and requirements, and changes to utility avoided costs may have an impact on our future energy efficiency goals.

- **Charitable giving:** During 2015, develop and launch a strategic philanthropy and volunteerism initiative for our communities and employees.

2015 Status: Duke Energy launched Care4Environment and Season4Giving. More than 870 employees volunteered over 6,000 hours to help protect and improve the environment, and about 450 employees volunteered over 2,000 hours supporting low-income charities, veterans assistance groups and energy assistance nonprofits.

New goal: During 2016, the Duke Energy Foundation will invest over \$30,000,000 in charitable giving.

- **Community leader ratings:** During 2015, conduct a community leader study across all of our service territories, to establish baseline performance.

2015 Status: The Community Leader Study was launched in October 2015 and achieved reasonably high response rates. Community Leaders reported overall satisfaction ratings ranging from 83-97% for all Duke Energy jurisdictions. Results showed high satisfaction with our reliable service and community support. Areas for improvement: environmental performance and more proactive communications.

2

Growth

Grow and adapt the business and achieve our financial objectives.

GOALS:

- **Economic development:** Stimulate growth in our communities and help attract at least 40,000 jobs and \$10 billion in capital investments from 2013 to 2017.

2015 Status: Since 2013, Duke Energy helped our communities attract more than 37,000 jobs and over \$10 billion in capital investments to our service territories.

- **Total Shareholder Return (TSR):** Outperform other investor-owned utilities in TSR, annually and over a three-year period, as measured by the Philadelphia Utility Index.

2015 Status: Duke Energy's TSR was -10.8 percent in 2015, following a very strong year in 2014 when the total return was 26.4 percent. The TSR of the Philadelphia Utility Index was -6.3 percent in 2015, compared with 28.9 percent in 2014. The utility industry significantly underperformed the broad market in 2015, in part, because of the expectation of rising interest rates and the premium valuations from the prior year's robust performance. Over three years, Duke Energy's TSR was 27.4%, underperforming the UTY's 34.1%.

- **Renewables:** Own or contract 6,000 MW of wind, solar and biomass by 2020.

2015 Status: As of year-end 2015, Duke Energy owned or had under contract nearly 4,400 MW of wind, solar and biomass.

New goal: Own or contract 8,000 MW of wind, solar and biomass by 2020.

- **Governance:** Keep abreast of developments regarding corporate governance principles and recommend internal improvements as appropriate.

2015 Status: In 2015, Duke Energy adopted proxy access.

- **Transparency:** Achieve top-quartile performance in disclosure, as measured by Bloomberg Environmental, Social and Governance (ESG) Disclosure Scores for our industry.

2015 Status: As of January 5, 2016, Duke Energy had a Bloomberg ESG Disclosure Score of 50.2, the third-highest score, in the top quartile, among our peer U.S. utilities in the Bloomberg listing.

3

Operations

Excel in safety, operational performance and environmental stewardship.

GOALS:

● **Safety:** Achieve zero work-related fatalities.

2015 Status: Tragically, five contractors lost their lives on the job in traffic-related incidents.

● **Safety:** Achieve top-decile safety performance in employee Total Incident Case Rate (TICR) by 2015.

2015 Status: We improved employee TICR to 0.41 in 2015 from 0.58 in 2014, and were in the top decile of our industry peers in 2014 (when latest industry data were available).

Reliable energy: Maintain the high reliability of our generation fleet with a nuclear capacity factor of at least 93.3%, fossil commercial availability of at least 88.5%, and renewables commercial availability of at least 96%.

2015 Status: The generation fleets performed well, consistently meeting customer demand, but did not meet all of their goals.

● **Nuclear:** Capacity factor improved to 94.2%, from 93.2% in 2014.

● **Fossil:** Commercial availability improved to 87.4%, from 85.9% in 2014, but did not achieve its goal.

● **Commercial Renewables:** Commercial availability declined to 93.3%, down from 96% in 2014.

● **Reliable energy:** During 2015, maintain the high reliability of our distribution system with an average number of outages* of 1.14 or less, and an average time without power* of 124 minutes or less.

2015 Status: Average number of outages was 1.16, and average time without power was 131 minutes.

* Outages longer than 5 minutes, per customer

● **Carbon*** (Updated): Reduce or offset CO₂ emissions from our U.S. generation fleet 17% from 2005 emissions by 2020 (i.e., go from 152 million tons in 2005 to 126 million tons in 2020).

2015 Status: Our generation fleet emitted about 108 million tons of CO₂, a reduction of about 28%.

● **Carbon*** (Updated): Reduce the carbon intensity (pounds of CO₂ emitted per net kWh of electricity produced) of our U.S. generation fleet from 1.29 in 2005 to 0.94 by 2020.

2015 Status: Generation carbon intensity was 0.99 in 2015, a reduction of about 23%.

* We plan to reassess our carbon goals once the Clean Power Plan litigation is resolved.

● **Solid waste:** Increase the percentage of solid waste that is recycled from 69% in 2013 to 80% in 2018. (This goal excludes Duke Energy International and Duke Energy Renewables.)

2015 Status: About 72% of solid waste produced was recycled.

● **Coal ash management:** (Updated): Develop engineering closure plans for all coal ash sites by 2016.

2015 Status: Closure plans for six of 24 sites were developed in 2015, and the remaining plans are on track to be developed in 2016. The timing and degree of plan detail will be determined by regulatory schedules.

New goal: Safely move and store 20 million tons of coal ash by 2019.

4

Employees

Develop and engage employees and strengthen leadership.

GOALS:

Overall Goal: Foster a high performance and inclusive culture built on strong leadership and highly engaged and diverse employees.

● **Employee engagement:** Maintain management and employee (non-managers) engagement scores of 75% and 65%, respectively, or higher, measured by favorable responses to survey questions.

2015 Status: Management and employee engagement were 77% and 70%, respectively.

● **Performance Accountability:** (Updated): Implement tools that promote employee recognition, performance and accountability through an emphasis on continuous feedback and alignment with strategic objectives.

2015 Status: Several performance and talent management processes were enhanced to provide a better user experience and more effectively enable employees.

● **Diversity & Inclusion (D&I)** (Updated): Strengthen our diversity and inclusion framework as well as support a workforce in transition.

2015 Status: In 2015 these initiatives were launched or amplified: D&I education, minority leadership development programs, early talent pipeline programs and increased minority recruiting.

New goal: Leadership: Advance leadership capabilities and bench strength with a strong focus on employee engagement, development and succession planning.



1 Customers

Improve the lives of our customers and vitality of our communities.

2015 Highlights

- Our customers hit an energy savings milestone — over the past six years they've saved 1 terawatt-hour of energy with our Home Energy Report. That's enough to power 70,000 homes for a year.
- Customers benefited from rates below the national average in all customer classes and all service areas for the second consecutive year.

Challenges and Opportunities

- Improve customer satisfaction scores by improving the customer's experience with the company.
- Anticipate and meet changing customer expectations — providing them with more convenience, choice and control.
- Increase engagement with stakeholders to identify positive outcomes to issues important to our communities.

Energy efficiency: Responding to customers

We're hearing customers loud and clear when they say they want to know more about our energy efficiency programs.

Programs vary by state, but together Duke Energy is helping customers lower their carbon footprint and save money.

"My Home Energy Report" provides residential customers with a meaningful look at their energy use compared to similar homes based on age, size, location and heating source. It provides targeted insights to help them take action to reduce their energy consumption. Over the past six years, this program has saved more than 1 terawatt-hour of electricity. That's enough to fully power 70,000 homes for a year.

In most states, to get that personal touch, the company offers a "home energy audit." A trained technician visits customers' homes and gives expert advice on how they can save money.

One customer remarked she had not thought about insulating her attic door. But an uninsulated attic door loses energy 38 times faster than similar ceiling space that is insulated.

Since 2009, the company has provided more than 70 million deeply discounted energy-efficient lighting products through direct order platforms, participating retailers and Duke Energy's Online Savings Store. Cutting-edge LEDs have become

IT'S MY JOB TO HELP YOU SAVE ENERGY (AND MONEY)!

Each day, Ken Muth works hard to help customers save money. As a business energy advisor, Muth works with hundreds of Duke Energy's mid-sized commercial customers in Ohio and Kentucky on ways they can lower their energy use and earn cash incentives for installing high-efficiency lighting and equipment.

Case in point: Crossroads Church in Mason, Ohio. The 114,000-square-foot facility – originally built as a paper mill – qualified for nearly \$55,000 in energy efficiency incentives from Duke Energy. But that's not all – Crossroads is also likely to see sustained energy savings of more than \$50,000 per year.

"One of Crossroads' focus areas is mission work," said Muth. "It's humbling to know that every dollar I help them save can be put toward projects that improve lives throughout this region and around the world."

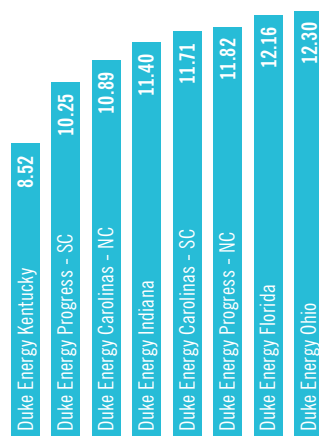
Ken Muth / Business Energy Advisor and Wade Laswell / Crossroads Church

Duke Energy's Regulated Rates

In effect as of July 1, 2015 (cents per kilowatt-hour)

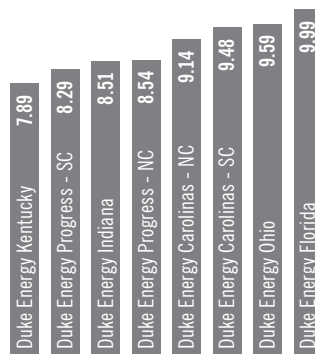
Residential

U.S. Average 13.73



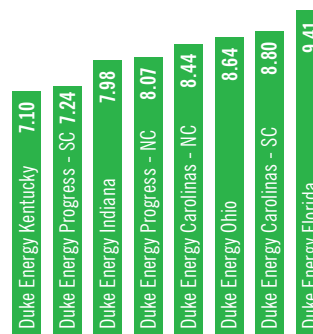
Commercial

U.S. Average 11.79



Industrial

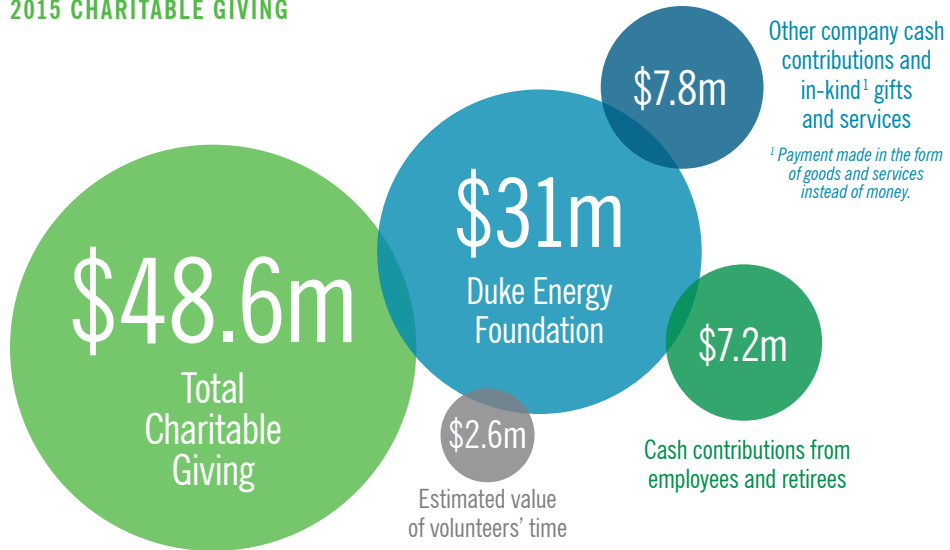
U.S. Average 9.92



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 Report, Summer 2015 (latest available).

2015 CHARITABLE GIVING



Players for the planet

Watch out old electronic equipment — you're being rounded up and recycled in Cincinnati!

especially popular with customers visiting participating retailers or the Online Savings Store. Customers have purchased 4 million LEDs in the last two years.

Of course, there are many other programs that reflect Duke Energy's ability to meet customers' changing energy needs. We will continue our efforts to help customers become even more energy efficient.

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

Duke Energy employees volunteer to recycle old electronics

More than 50 Duke Energy employees collected and sorted old computers, TVs, cellphones and other items as volunteers at Cincinnati's 2015 "Players for the Planet E-Waste Recycling Drive" — a four-day roundup of electronic equipment to recycle.

The drive, supported by professional sports players in the Cincinnati area, collected nearly 100 tons of electronic waste that otherwise might have ended up in local landfills.

Older model TVs and computer monitors can contain up to 6 pounds of toxic lead, which can cause potential public health risks if not properly recycled.

Rankings mixed, but satisfaction scores improve again

While Duke Energy's rankings were mixed, customer satisfaction (CSAT) scores improved for both business and residential segments in 2015.

Customer satisfaction remains a top priority, and all Duke Energy regulated utilities are implementing plans to achieve top quartile performance in the J.D. Power Residential Study by the end of 2018 — that's how we'll measure if we're meeting customers' expectations.

Business customers: Large business customers continue to give Duke Energy high marks for the service they receive, with 89 percent "highly satisfied" with Duke Energy as their utility.

Overall, satisfaction scores increased for all four Duke Energy companies in the 2016 J.D. Power Business Study, with three increasing more than the national average.

- Duke Energy Carolinas increased an impressive 50 points to 728, putting it in the top quartile for this study.
- Duke Energy Midwest was up 32 points to 708, just one point below the second quartile.
- Duke Energy Progress was up 31 points to 703, and remained in the third quartile.
- Duke Energy Florida was up 23 points to 690, its highest score in more than eight years.



Anne Sheffield / Communications Consultant and **Caroline Gandy** / Valle Crucis Community Park

PROTECTING, IMPROVING AND RESTORING REGIONAL WATERWAYS

Regional waterways are the lifeblood of vibrant communities. Duke Energy is committed to being a good neighbor. This also means being a good steward of the environment and the waterways surrounding our operations.

In 2015, 28 nonprofit organizations across North Carolina, South Carolina and Virginia received more than \$2 million to help protect rivers, lakes and streams in those states. The projects were funded through the Water Resources Fund, a \$10 million investment by the company to protect waterways in the Carolinas and downstream from Duke Energy's Carolinas operations.

One of the projects is the Dutch Creek Stream Restoration and Education Initiative in Watauga County, North Carolina.

The Valle Crucis Community Park used its \$77,000 grant to restore more than 800 feet of a degraded reach of Dutch Creek using natural channel design methods. Structures also were installed to re-establish and enhance fish and hellbender salamander habitats. Already, the county game warden has reported seeing trout feeding in the creek for the first time in years.

During construction, fifth-grade classes from adjacent Valle Crucis Elementary School received on-site lessons about wetland restoration and helped install plants along the stream bank.

In the Midwest, a \$250,000 Duke Energy Foundation grant is enabling Thomas More College to boost fish and water quality research programs at its Thomas More Biology Field Station in Campbell County, Kentucky. The funds are also being used to expand science, technology, engineering and math (STEM) partnerships with teachers and students throughout the Greater Cincinnati region.

A separate \$250,000 grant to the University of Cincinnati is helping the Great Miami Ground-Water Observatory to establish an early detection system for threats to water in the Great Miami Buried Valley Aquifer System. The university also is using grant money to expand its summer environmental research training program for teachers.

These projects are inspiring and creating a difference in our communities. They're investments in the ongoing and future sustainability of our regions.



Thomas More Biology Field Station

Duke Energy has been supporting Thomas More College's Ohio River research since 1971.

PROMOTING STAKEHOLDER ENGAGEMENT

A key to successful stakeholder engagement is companies engaging in an ongoing two-way dialogue and making the effort to understand issues from numerous viewpoints. That's why Duke Energy continues to solicit input from a diverse range of customer, community, environmental and business groups. We work to find areas of common interest from which to build a foundation for consensus. These discussions can be challenging, and sometimes frustrating, but engagement from a broad stakeholder group typically results in positive outcomes for the communities we serve.

Photo caption: Gary Cook discusses power plant operations with members of the Northern Kentucky Chamber of Commerce and the Cincinnati USA Regional Chamber of Commerce.

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

Residential customers: Eighty percent of our residential customers were highly satisfied with the service they received from Duke Energy in 2015.

Satisfaction scores were up for all four operating companies in the 2015 J.D. Power Residential Study. But the company continues to be in the bottom half among utilities in the regions we serve.

- Duke Energy Midwest was up 20 points to 664, placing it in the third quartile nationally among all large utilities.

- Duke Energy Carolinas was up 22 points to 663, placing it in the third quartile nationally among all large utilities.
- Duke Energy Progress was up 18 points to 655, placing it in the third quartile nationally among all large utilities.
- Duke Energy Florida was up 12 points to 622, placing it in the fourth quartile among all large utilities.

Connecting with our customers online

For decades, if customers wanted to communicate with Duke Energy, they picked up the phone. But, as the population becomes busier and more wired, our customers are finding other communication channels can work best for them.

Diverse Supplier Spending (in millions)

	2011	2012	2013	2014	2015
Spending with Tier I diverse suppliers ¹	\$487	\$725	\$691	\$578	\$633
Spending with Tier II diverse suppliers ²	\$211	\$212	\$212	\$412	\$405
Total	\$698	\$937	\$903	\$990	\$1,038

1 Tier I represents direct purchases from diverse suppliers.

2 Tier II consists of diverse businesses working with Tier I suppliers and are reported like subcontractors to Duke Energy.



Gary Cook / East Bend Station Manager

They want to communicate on their timetable, using the platforms they feel comfortable with – like Twitter and Facebook.

In 2009, there was only one Duke Energy employee responsible for the two-way conversations on social media to handle service inquiries from customers.

Our team has grown over the years as customers have rapidly embraced social media as a way to communicate with us. During 2015 alone, the customer social media team handled more than 45,000 incoming messages. The most common questions dealt with reporting outages and billing issues.

But topics like tree trimming were also addressed. Customers also ran to social media when they felt they were not making progress in their attempts to communicate with the company through other channels. Many times, a problem in the morning was happily resolved by the afternoon.

Social media channels also allowed the company to push out important messages. We communicated widely on scams involving criminals posing as utility workers – stopping thieves claiming to have the ability to shut off power unless money was quickly wired to them.

The future looks positive with this type of customer engagement. Additional resources and extended hours of operation could make social media interactions with Duke Energy as common as picking up the telephone.

Purchasing: What does it mean to the neighborhood?

Duke Energy spends between \$8 billion and \$10 billion a year purchasing everything from wind turbines to office supplies.

Quality and cost are prime drivers of these decisions. But customers have told us corporate sustainability should be in the mix, too. That's why supplier diversity, local economic impact and environmental stewardship are part of Duke Energy's purchasing equation.

In 2015, working with NC State University and Duke University, the company developed a method to assess the economic impact of our spending. Out of the \$8.2 billion we spent in 2014, \$2.7 billion was spent with local companies in our six retail states. That's 32 percent of our overall spend.

That \$2.7 billion in local spending helps support close to 26,000 jobs. It also means an extra \$1.7 billion in salaries, local purchases and business taxes are kept in our communities.

Duke Energy selects suppliers that provide the most value to our customers and shareholders, while creating broader value for the company and the communities we serve. We also continue to focus on diversity and environmental stewardship.

The future? We expect our increased focus on sustainability criteria in purchasing decisions to lead to even more local spending.



Duke Energy's illumination.duke-energy.com is an online destination for stories about all aspects of energy. Our News Center at news.duke-energy.com provides accessible, visual and engaging content about the company.



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 ^{1, 2}

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

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

² 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

Indiana
\$369m
2,347 jobs

Ohio – Kentucky
\$394m
1,303 jobs

North Carolina
\$1,210m
3,260 jobs

South Carolina
\$1,251m
3,261 jobs

Florida
\$287m
1,872 jobs

Governance Ratings¹

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 ¹	
Board structure	5	1	2	Relative risk: 1 = Lowest ² 10 = Highest
Compensation	4	1	2	
Shareholder rights	5	4	4	
Audit	1	2	1	

¹ As of March 1, 2016. Published with permission of ISS.

² 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 CO₂ 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 \$892,430¹ 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 \$945,485² 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



3 Operations

Excel in safety, operational performance and environmental stewardship.

2015 Highlights

- Safety — decreased our Total Incident Case Rate (TICR) by about 30 percent in 2015 vs. 2014.
- Decreased reportable environmental events by 50 percent.
- Nuclear fleet had its best capacity factor in over a decade — 94.2 percent; the 17th consecutive year it's been above 90 percent.
- Received new operating licenses for the Catawba-Wateree Hydroelectric and Yadkin-Pee Dee Hydroelectric projects from the Federal Energy Regulatory Commission.

Challenges and Opportunities

- Continue to improve employee and contractor safety.
- Continue to demonstrate our commitment to operational excellence.

Safety: Progress with vision for the future

At Duke Energy, safety is more than a corporate priority; it is a core company value. Safety is job one, every day. We value the safety of our employees, contractors and communities and are taking action to prevent incidents. Building upon the success, and failures, of past years, our mission is to create a safer place to work and live, where everyone gets to go home at the end of the workday.

In 2015, Duke Energy enhanced and implemented several initiatives to improve safety performance. For example, the rollout of an improved contractor safety program in September 2015 puts more rigor around selecting, managing and providing oversight to contractors.

In addition, business units executed “Keys to Life” control plans that reduced risk and improved worker behaviors related to high-hazard activities. And our Transmission and Delivery Operations group did a deep dive into its injury data that led to a renewed mission to eradicate electrical contact events.

The results of our new and existing safety initiatives and processes led to substantially improved performance in our 2015 safety measures. Duke Energy had zero employee fatalities. We also decreased our Employee Total Incident Case Rate (TICR) by almost 30 percent to 0.41. Tragically, there were five contractor fatalities, all of which were traffic related. We are working together with our contractor partners to address these safety concerns.

INNOVATION IN ACTION

As part of our pursuit of operational excellence, Duke Energy's Generation and Transmission group challenged employees to seek out ways to reduce environmental and safety hazards. Jerry Lee DeWeese took the challenge seriously when he sought a way to eliminate the risk of oil entering the waterway at a hydroelectric plant if there is an oil cooler leak or water intrusion.

Jerry developed a low-cost water detector that can be retrofitted to equipment to detect water and prevent oil from getting into the river. This device can send a signal to the control system to alert technicians of the trouble and allow quick action, including a controlled shutdown of the unit. His device could also be used at other manned and unmanned generation facilities. Another way innovation is helping sustainability at Duke Energy.

Jerry Lee DeWeese / Lead Engineer, Carolinas Hydro Operations

We are pleased about our improvements but not satisfied with our results. In 2016, we are launching a five-year plan that will drive continued focus on event-free operations and challenge the company to reach even greater safety success by 2020.

Striving toward a lower-carbon future

Duke Energy is committed to a cleaner, smarter energy future. We have worked to modernize our system and established voluntary carbon reduction goals in 2010.

Our tons of CO₂ emissions have decreased 28 percent since 2005. In addition, the CO₂ intensity of our generating fleet is more than 23 percent lower, producing fewer emissions per kWh. More than 40 percent of the electricity we generated in 2015 was from carbon-free sources: nuclear, hydro, wind and solar. Our current five-year business plan includes plans to retire more than 1,800 MW of coal generation, invest \$4 billion in new, efficient natural gas facilities and invest \$3 billion in renewables.

The Clean Power Plan (CPP) is a new federal regulation by the United States Environmental Protection Agency (EPA) that establishes performance standards for CO₂ emissions from existing fossil-fueled power plants – those that use coal, oil or natural gas to produce electricity. Twenty-seven states and numerous industry organizations have challenged the rule in the courts, and 18 states have filed

petitions in support of it. In February 2016, the U.S. Supreme Court issued a stay of the CPP, suspending the regulation from going into effect while legal challenges are heard by the courts. It is unclear when the legal challenges will be fully resolved.

If the rule is ultimately upheld, EPA estimates the regulation will reduce CO₂ emissions by 32 percent from 2005 levels by 2030, although specific reduction targets vary by state. Regardless of the legal outcome of the CPP, we remain committed to reduce emissions and invest in energy technologies that are good for our customers, our communities and the environment. Duke Energy will continue to work constructively with our states as they decide their path forward.

Protecting our water resources: New operating license will sustain region for generations to come

The Federal Energy Regulatory Commission issued a new operating license to Duke Energy effective November 1, 2015, for the Catawba-Watauga Hydroelectric Project, which includes 13 hydropower stations and 11 reservoirs in North Carolina and South Carolina. The project provides drinking water for nearly 2 million people, supports energy generation and offers numerous recreational opportunities to residents and visitors. The new license ensures the



photo courtesy of Hannah Hayes

Tim Hayes / Environmental Development Director, Commercial Renewables

ENSURING WIND POWER CAN COEXIST WITH EAGLES, BATS

Duke Energy is committed to minimizing bird and bat fatalities caused by turbine blade collisions at its clean-energy wind power projects.

To protect eagles at Duke Energy's Top of the World Windpower Project in Wyoming, wildlife specialists in a specially built tower scan the sky and shut down turbines when eagles approach. The company also is testing new technology that automatically shuts down turbines when high-resolution cameras detect eagles.

To protect bats at several of its wind power projects, Duke Energy significantly reduces turbine blade speed during low-wind conditions in late summer and early fall, which coincides with bats' migration and breeding season.

"We're on the leading edge of addressing this issue," says Tim Hayes, Duke Energy Renewables' environmental director.

Catawba-Wateree River will continue to support and sustain communities for at least the next 40 years.

With the new license in hand, Duke Energy will invest about \$100 million to implement an agreement designed over a three-year period with input from about 160 community stakeholders. The agreement's new benefits range from operational changes to protect aquatic habitats to land conservation to new and enhanced recreation amenities.

The new license includes several water management provisions designed to ensure long-term availability of the water resource. A new drought management protocol will be implemented by a regional advisory group composed of major water users, governmental agencies and Duke Energy. Another organization of regional water utilities and Duke Energy will study and implement long-range strategies to ensure the region's water supply continues to be sustainable.

Duke Energy also received a new operating license in April 2015 for its Yadkin-Pee Dee Hydroelectric Project, which includes two hydropower stations and associated reservoirs in North Carolina. This license and the supporting regional stakeholder agreement provide many regional benefits and promote smart water management practices.

Coal Plant Retirements

Closing ash basins in ways that protect the environment, communities

More than two years following the Dan River coal ash release, Duke Energy's ash management work advances on multiple fronts.

Ash basin closure is underway at multiple sites across our service territory. In the Carolinas, the company began excavating ash at six plant sites in 2015 and has relocated more than 1 million tons to lined storage solutions. Excavation rates will jump dramatically in 2016 now that rail infrastructure is in place at multiple sites to safely and efficiently move ash.

The North Carolina Coal Ash Management Act, passed in 2014, outlines the detailed process the company is following to thoroughly study groundwater near ash basins, develop closure plans based on the unique features of the sites and close the basins by aggressive deadlines. The company hosted several community events for plant neighbors so they could learn more in advance of excavation work. The North Carolina law also provides several public input opportunities throughout the process. In December of 2014, EPA finalized the Coal Combustion Residuals (CCR) rule, which governs the management and disposal of coal ash. Duke Energy's activities comply with all relevant state and federal regulations.

Across the rest of our service area, the company is in the process of safely closing some ash basins, while conducting engineering studies to prepare customized closure plans for others.

At locations where ash is either required to be excavated or where science determines that's the best approach, the company looks first at relocating ash to landfills on plant property before evaluating off-site locations. Duke Energy announced in 2015 that it will pursue permitting for four new on-site, lined landfills in the Carolinas to receive excavated material.

All closure plans will meet requirements of the CCR rule and will protect groundwater. As Duke Energy continues this important work, it will close ash basins in ways that put safety first, protect the environment, minimize impact to communities and manage costs.

Retired Coal Units¹

	Location	Units	Total capacity (megawatts)	Actual retirement date
Cliffside Steam Station	N.C.	1, 2, 3, 4	198	2011
Buck Steam Station	N.C.	3, 4	113	2011
Edwardsport Generating Station	Ind.	6, 7, 8	160	2011
W.H. Weatherspoon Plant	N.C.	1, 2, 3	177	2011
Gallagher Generating Station	Ind.	1, 3 ²	280	2012
Cape Fear Plant	N.C.	5, 6	316	2012
Beckjord Station	Ohio	1	94	2012
Dan River Steam Station	N.C.	1, 2, 3	276	2012
H.F. Lee Plant	N.C.	1, 2, 3	382	2012
Robinson Plant	S.C.	1	177	2012
Buck Steam Station	N.C.	5, 6	256	2013
Riverbend Steam Station	N.C.	4, 5, 6, 7	454	2013
Sutton Plant	N.C.	1, 2, 3	575	2013
Beckjord Station	Ohio	2, 3	222	2013
Beckjord Station	Ohio	4, 5, 6	543	2014
W.S. Lee Steam Station	S.C.	1, 2	200	2014
W.S. Lee Steam Station	S.C.	3	170	2015 Converted to natural gas
Miami Fort Station	Ohio	6	163	2015
Total			4,756	

Planned Coal Unit Retirements

	Location	Units	Total capacity (megawatts)	Planned retirement date
Wabash River Generating Station	Ind.	2, 3, 4, 5, 6	668	Retire 2-5 by 2016; suspend 6 by 2016
Crystal River Energy Center	Fla.	1, 2	873	2018
Asheville Plant	N.C.	1, 2	324	2020
Total			1,865	

TOTAL ACTUAL/PLANNED RETIREMENTS 6,621

¹ In addition to coal unit retirements, a number of older oil/natural gas generation units have been or will be retired.

² Per a 2009 settlement agreement with the EPA.



CATAWBA-WATEREE OPERATING LICENSE AND REGIONAL STAKEHOLDER AGREEMENT HIGHLIGHTS

- New flow releases and increased aeration will improve water quality and enhance aquatic habitats to protect species
- Donation of 2,455 acres of land
- \$13.1 million has also been spent to purchase and conserve 5,371 acres of land
- \$3 million for additional land conservation, recreation and water quality protection
- More than \$4 million in funding for local partners to develop recreational amenities
- New scheduled recreational flow releases
- Improved management of high-water events
- 89 new or expanded public recreation areas

Protecting nature while ensuring reliable electricity

Trees and other large vegetation can cause power outages if they fall on or even touch power lines. Duke Energy must keep tall vegetation away from power lines while protecting wildlife habitat and rare plant areas under and around those lines.

Duke Energy's vegetation management program includes the use of environmentally sound

herbicide application techniques that encourage low-growing vegetation for wildlife habitat and discourage tall vegetation that could interfere with the power lines above.

The herbicides promote non-woody plants such as grasses and other native species which provide natural habitat for a wide variety of wildlife, including wild turkeys, bob white quail and pollinators such as bees.

Safety Performance Metrics

Safety at Duke Energy

	2012	2013	2014	2015
Employee and contractor work-related fatalities *	2	3	4	5⁵
Employee Total Incident Case Rate (TICR)^{1,2}	0.69	0.62	0.58	0.41
Employee Lost Workday Case Rate (LWCR)^{1,3}	0.20	0.20	0.17	0.18
Contractor Total Incident Case Rate (TICR)²	1.60 ⁴	1.27	1.05	1.18⁶
Contractor Lost Workday Case Rate (LWCR)³	0.38 ⁴	0.28	0.28	0.21⁶

¹ Includes both employees and workforce augmentation contractors.

² Number of recordable incidents per 100 workers (based on OSHA criteria). Top decile in 2014 for employee TICR was .58 (based on latest data available from EEI).

³ Number of lost workdays per 100 workers.

⁴ Data represent turnkey contractors for pre-merger Duke Energy (before the Duke Energy/Progress Energy merger).

⁵ Tragically, there were five turnkey contractor fatalities in 2015, all traffic related.

⁶ We have a systematic process in place for collecting productive work hours for a large portion of the contractor fleet. Data represent approximately 80 percent of turnkey contractors.

* Beginning in 2016, Duke Energy will track worker life-altering injury (LAI), replacing serious injury or fatality (SIF) as a company measure. LAI is a sub-set of the previous SIF category. The change focuses attention on the most serious of all work-related injuries and includes only specific types of injuries within the control of the company or worker.

Reliability Is A Commitment

Duke Energy uses herbicides approved by EPA and appropriate state agencies, which are similar to those products used by homeowners in their own yards.

Other vegetation management highlights:

- In the Midwest, Duke Energy works to avoid pruning and removing specific tree species, such as the shag bark hickory, at times when nesting bats might be present.
- In North Carolina, Duke Energy carefully coordinates its vegetation management activities with the state's Natural Heritage Program to protect rare and threatened plant species, such as the Schweinitz's sunflower.
- Duke Energy engages in research to ensure it uses ecologically friendly vegetation management practices on all land traversed by its power lines – both private property and public parcels, such as national parks and forests.

“Reliable, 24/7 electric service and sensitive environmental protection go hand-in-hand,” says Ron Adams, Duke Energy vegetation management director.

Legal cases resolved

Duke Energy resolved two legal cases in 2015 related to environmental issues. Specifically, the company reached settlement agreements with:

- The U.S. government to close a federal criminal investigation of its subsidiaries – Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services – related to the 2014 Dan River coal ash spill and ash basin operations at the company's other North Carolina coal-fired power plants.
- The U.S. government and three environmental groups to end litigation against the company for alleged federal Clean Air Act violations involving maintenance and repair projects at some of the company's coal-fired power plants in North Carolina. Duke Energy denied the allegations and maintained it complied fully with federal law. The company settled the case to avoid the cost of prolonged litigation.

Reliable power is one of Duke Energy's core commitments to our customers – the more than 24 million people we serve. We set reliability targets each year for the number and duration of power outages and power generation fleet performance.

Power Delivery

We experienced a large number of mid-size storms in 2015 which caused us to miss our internal target. However, the longer-term trend in number of outages continues to improve.

Outage Statistics

	2012	2013	2014	2015	2015 Target
Average number of outages^{1,2} (occurrences)	1.19	1.14	1.13	1.16	1.14
Average time without power^{1,2} (minutes)	126	121	123	131	124

1 Outages with a duration greater than 5 minutes; statistics are reported per customer.

2 Lower numbers indicate better performance.

Generation

Our diverse generation fleet, which includes fossil, nuclear, hydro, wind and solar resources, reliably met challenging demands, including record-breaking peak load in February 2015, and peak summer loads in June.

Nuclear fleet **capacity factor**, which is a measure of generation reliability, improved from 93.2 percent in 2014 to 94.2 percent in 2015, and exceeded 90 percent for the 17th consecutive year. The regulated fossil/hydro fleet improved **commercial availability** performance from 85.9 percent in 2014 to 87.4 percent in 2015.

The commercial renewables fleet's commercial **availability** declined from 96 percent in 2014 to 93.3 percent in 2015 because of unscheduled maintenance activities.

Generation Reliability

	2012	2013	2014	2015	2015 Target
Nuclear capacity factor³	90.4%	92.8%	93.2%	94.2%	93.3%
Regulated fossil commercial availability⁴	86.5% ⁵	85.7%	85.9%	87.4%	88.5%
Renewables commercial availability⁴	96.9%	94.2%	96.0%	93.3%	96.0%

3 Crystal River Unit 3 is not included in these statistics, because 2009 was the last year it operated.

4 Based on units operated by Duke Energy and ownership share.

5 Former Progress Energy fossil plants, all regulated, are excluded because different measures were used to track their reliability performance before 2013. A common reliability measure for the entire regulated fossil fleet was used starting in 2013.



Tanya Hamilton / Harris Nuclear Plant Manager



Oconee Nuclear Station

Duke Energy's nuclear stations are running better than ever. This South Carolina plant set records in 2015.

CLEAN NUCLEAR POWER – RECORD RESULTS

With 11 operating units, Duke Energy has nuclear plants that originally started producing power in the 1970s.

Over the years, including 2015, many of these same plants in North Carolina and South Carolina have continuously improved their operations and are now more efficient than ever – even producing more electricity than their original design capacity.

In 2015, our nuclear fleet reported a capacity factor of 94.2 percent. This means the generating units collectively generated electricity 94.2 percent of the time. That's the best mark in more than a decade and considerably better than the 2015 national average of 91.9 percent. In contrast, in the 1970s capacity factors were typically below 70 percent.

It also extends the company's streak for 90-plus percent capacity factors to 17 consecutive years.

Brunswick, Harris, McGuire and Robinson stations achieved record generation runs during 2015 – producing more power in the same time frame than ever before.

Unit 1 of the Catawba Nuclear Station had its longest continuous operating run ever in 2015. Not bad for a plant that began producing power in 1985.

Also in 2015, the three-unit Oconee Nuclear Station achieved its highest capacity factor in history – 98 percent. And, Oconee had its shortest refueling outage ever. This means the Oconee units were on line delivering greenhouse gas emissions-free power to customers for most of the year.

And, although the annual radiological dose to workers has always been well below established federal limits because of our extensive, ongoing focus on safety, the Duke Energy nuclear employees had their lowest fleet annual dose ever in 2015 – creating an even safer environment for employees.

Environmental Performance Metrics

2015 Electricity Generated (net megawatt-hours)¹

	United States		Latin America		Total	
	MWh (thousands)	Percent	MWh (thousands)	Percent	MWh (thousands)	Percent
Coal	77,186	35.3%	233	1.4%	77,418	32.9%
Natural gas	60,338	27.6%	741	4.4%	61,079	25.9%
Oil	285	0.1%	1,510	9.0%	1,796	0.8%
Total fossil	137,809	63.0%	2,484	14.8%	140,293	59.6%
Nuclear	73,298	33.5%	0	0.0%	73,298	31.1%
Conventional hydro	2,801	1.3%	14,284	85.2%	17,085	7.3%
Wind	5,089	2.3%	0	0.0%	5,089	2.2%
Solar	502	0.2%	0	0.0%	502	0.2%
Total carbon-free	81,690	37.3%	14,284	85.2%	95,974	40.8%
Pumped-storage hydro ²	(779)	-0.4%	0	0.0%	(779)	-0.3%
Total	218,719	100%	16,768	100%	235,487	100%

¹ Data based on Duke Energy's ownership share of generating plants as of December 31, 2015. These data exclude generation from the commercial Midwest generation assets sold in April 2015, and include generation from the NCEMPA generation assets (partial ownership interest in several Duke Energy Progress plants) purchased in August 2015. Totals may not add up exactly because of rounding.

² Pumped-storage hydro helps meet peak demand and, like other storage technologies, consumes more energy than it produces.

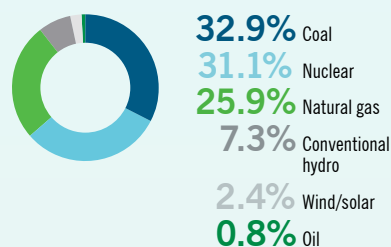
2015 Generation Capacity (megawatts)³

	United States		Latin America		Total	
	MW	Percent	MW	Percent	MW	Percent
Coal	18,614	35.3%	83	1.9%	18,697	32.8%
Natural gas	4,544	8.6%	280	6.5%	4,824	8.5%
Oil	501	1.0%	956	22.1%	1,457	2.6%
Natural gas/oil	14,124	26.8%	0	0.0%	14,124	24.8%
Total fossil	37,783	71.7%	1,319	30.4%	39,102	68.6%
Nuclear	8,830	16.8%	0	0.0%	8,830	15.5%
Conventional hydro	1,415	2.7%	3,014	69.6%	4,429	7.8%
Solar	487	0.9%	0	0.0%	487	0.9%
Wind	2,042	3.9%	0	0.0%	2,042	3.6%
Total carbon-free	12,774	24.2%	3,014	69.6%	15,788	27.7%
Pumped-storage hydro ⁴	2,140	4.1%	0	0.0%	2,140	3.8%
Total	52,697	100%	4,333	100%	57,030	100%

³ Data based on Duke Energy's ownership share of generating plants as of December 31, 2015. These data exclude generation from the commercial Midwest generation assets sold in April 2015, and include generation from the NCEMPA generation assets (partial ownership interest in several Duke Energy Progress plants) purchased in August 2015. Wind and solar include equity interests in generating assets. Totals may not add up exactly because of rounding.

⁴ Pumped-storage hydro helps meet peak demand and, like other storage technologies, consumes more energy than it produces.

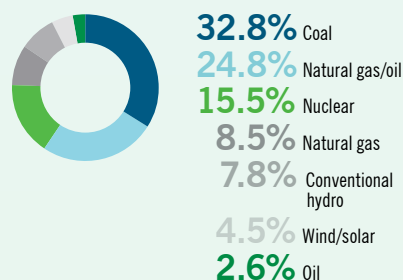
2015 Electricity Generated*



* Pumped-storage hydro, which totaled -0.3 percent, consumes more energy than it produces. Totals may not add up exactly because of rounding.

More than 40 percent of the electricity we generated in 2015 was from carbon-free sources, including nuclear, hydro, wind and solar. Over 25 percent was from natural gas, which emits about half as much carbon dioxide as coal when used for electric generation. Duke Energy Renewables sells the electricity and/or RECs it generates to its customers.

2015 Generation Capacity*



* Pumped-storage hydro, which totaled 3.8 percent, consumes more energy than it produces. Totals do not add up exactly because of rounding.

Duke Energy has a diverse, increasingly clean generation portfolio.

Environmental Performance Metrics

Fuels consumed for U.S. electric generation

Since 2008, use of coal and oil as generation fuels has significantly decreased. These have been replaced primarily by natural gas, mostly because it has become a relatively less expensive fuel and we added natural gas generation capacity.

Water withdrawn and consumed

Water withdrawn is the total volume removed from a water source, such as a lake or a river. Because of the once-through cooling systems on many of our coal-fired and nuclear plants, more than 98 percent of this water is returned to the source and available for other uses. *Water consumed* is the amount of water removed for use and not returned to the source.

Emissions from generation

Many factors influence emissions levels and intensities, including generation diversity and efficiency, demand for electricity, weather, fuel availability and prices, and emissions controls deployed. Since 2005, our U.S. carbon dioxide (CO₂) emissions decreased by 28 percent, sulfur dioxide (SO₂) emissions decreased by 90 percent and nitrogen oxides (NO_x) emissions decreased by 68 percent. These decreases are primarily because of the addition of pollution control equipment, decreased coal generation, increased natural gas generation, and replacement of higher-emitting plants.

Fuels Consumed For U.S. Electric Generation⁵

	2008	2013	2014	2015
Coal (million tons)	63.1	43.6	44.0	32.6
Oil (million gallons)	230.6	41.2	53.6	44.1
Natural gas (billion cubic feet)	163.4	501.2	525.3	501.1

⁵ Data based on Duke Energy's ownership share of generating assets as of the end of each calendar year. The 2015 data exclude fuels for the commercial Midwest generation assets sold in April 2015, and include fuels for the NCEMPA generation assets (partial ownership interest in several Duke Energy Progress plants) purchased in August 2015.

Water Withdrawn And Consumed (billion gallons)

	2011	2012	2013	2014	2015
Withdrawn	5,900	5,700	5,665	5,799	6,250
Consumed	105	100	106	93	79

Emissions From Generation⁶

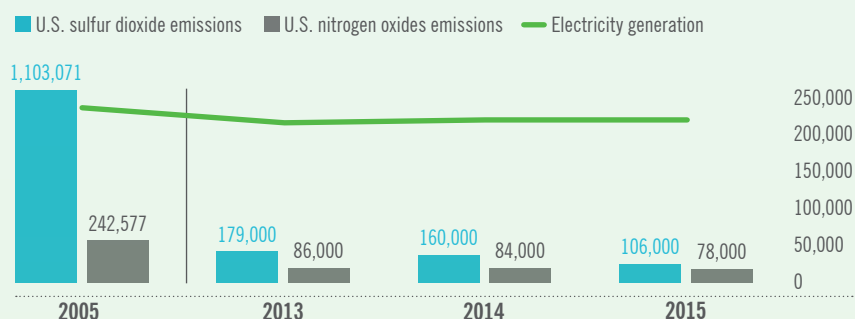
	2005	2013	2014	2015
CO₂ emissions (thousand tons) ⁷				
■ U.S.	151,853	112,055	114,854	108,463
■ Latin America	2,285	2,500	2,265	2,049
Total	154,138	114,554	117,119	110,513
Total CO₂ emissions intensity (pounds per net kWh)	1.22	0.98	1.00	0.94
U.S. SO₂ emissions (tons) ⁸	1,103,071	179,000	160,000	106,000
U.S. SO₂ emissions intensity (pounds per net MWh)	9.4	1.7	1.5	1.0
U.S. NO_x emissions (tons) ⁸	242,577	86,000	84,000	78,000
U.S. NO_x emissions intensity (pounds per net MWh)	2.1	0.8	0.8	0.7

⁶ Data based on Duke Energy's ownership share of generating assets as of the end of each calendar year. The data exclude emissions from the commercial Midwest generation assets sold in April 2015, and include emissions from the NCEMPA generation assets (partial ownership interest in several Duke Energy Progress plants) purchased in August 2015. Totals may not add up exactly because of rounding.

⁷ CO₂ reported from Duke Energy's U.S. electric generation and Duke Energy International operations, and based on ownership share of generating assets.

⁸ SO₂ and NO_x reported from Duke Energy's U.S. electric generation based on ownership share of generating assets.

U.S. Sulfur Dioxide And Nitrogen Oxides Emissions (tons)⁹ And U.S. Electricity Generation (net megawatt-hours) (thousands)



⁹ SO₂ and NO_x reported from Duke Energy's U.S. electric generation based on ownership share of generating assets.

U.S. Toxic Release Inventory (TRI) (thousand pounds)¹⁰

	2007	2012	2013	2014
Releases to air	97,969	20,723	22,400	18,297
Releases to water	257	133	131	152
Releases to land	22,052	14,297	12,449	12,948
Off-site transfers	155	3,100	2,924	3,579
Total	120,434	38,253	37,904	34,976

¹⁰ Data pertain to facilities Duke Energy owns or operates and where Duke Energy is the responsible reporting party. Totals may not add up exactly because of rounding.

Waste

	2011	2012	2013	2014	2015
U.S. solid waste					
■ Total generated (tons) ¹¹	43,586 ¹²	46,964 ¹²	84,083 ¹³	85,490 ¹³	88,000¹³
■ Percent recycled	64%	73%	69%	71%	72%
Hazardous waste generated (tons) ¹⁴	55	36	51	48	317
Low-level radioactive waste (Class A, B and C) generated (cubic feet) ¹⁵	78,200	84,403	88,994	104,636	—

¹¹ Weights are estimated based on volumes where necessary.

¹² Excludes Duke Energy Progress, Duke Energy Florida, Duke Energy Generation Services, Duke Energy International and large one-time projects.

¹³ Excludes Duke Energy International and large one-time projects.

¹⁴ Excludes Duke Energy International.

¹⁵ Total of Class A, B, and C waste disposal as reported to the Nuclear Regulatory Commission. Crystal River Unit 3 is not included in these statistics, because it is not part of the operating fleet, and is retired. Data for 2015 will be available later in 2016.

Reportable Oil Spills

	2011	2012	2013	2014	2015
Spills	91	48	65	26	23
Gallons	20,300	10,800	4,823	12,006	3,425

Environmental Regulatory Citations¹⁶

	2011	2012	2013	2014	2015
Citations	25	16	16	33	9
Fines/penalties (dollars)	\$ 14,682	\$ 128,562	\$ 1,006,935	\$ 236,058	\$ 114,585,735

¹⁶ Includes international and U.S. federal, state and local citations and fines/penalties.

U.S. Toxic Release Inventory (TRI)

Duke Energy's TRI releases for 2014 were down 71 percent from 2007, primarily due to the significant investments we've made in environmental controls for our power plants. (Data for 2015 will be available in August 2016.)

Waste

We are on track to meet our goal of increasing the percentage of solid waste that is recycled from 69 percent in 2013 to 80 percent in 2018. (This goal excludes Duke Energy International and Duke Energy Renewables.)

Reportable oil spills

Oil spills include releases of lubricating oil from generating stations, leaks from transformers, or damage caused by weather or by third parties (typically because of auto accidents).

Environmental regulatory citations

Fines/penalties were relatively large in 2013 because of the November 2013 settlement agreement addressing golden eagle fatalities at wind power facilities, and in 2015 because of the May 2015 ash enforcement agreement. See the "Migratory Bird Settlement Agreement" article in the 2013 Sustainability Report, and the "Legal Cases Resolved" article in this report.



4

Employees

Develop and engage employees and strengthen leadership.

2015 Highlights

- Black Enterprise Magazine named Duke Energy to its 40 Best Companies for Diversity.
- Expanded our Quick Fit program — getting more employees moving across the company.

Challenges and Opportunities

- Ensure knowledge transfer as our baby boomers retire.
- Increase our bench strength by continuing to focus on diversity in the workplace.

Preparing the community workforce

Duke Energy knows having a prepared workforce is critical to the company — but also to attracting new and expanding businesses.

Investments in community colleges and other educational institutions have been a key driver for economic growth in Duke Energy's service territories. Graduates offer the technical skills needed to fuel a growing economy.

To ensure students receive the skills needed for success, Duke Energy supports workforce training through a number of investments in regional community colleges.

For example, the company has provided a \$250,000 grant to support a budding structural design program at Richmond Community College in North Carolina. The funds are being used to help expand programs in machining, computer-aided drafting and 3D printing — all needed for an expanding industrial base.

South Carolina's Spartanburg Community College received a grant to expand knowledge in Web development — a skillset that is needed in the region.

Gateway Community and Technical College in Kentucky is helping teach skills to women to pursue careers in fields often dominated by men — especially in the manufacturing sector.

BRINGING FITNESS TO EMPLOYEES

For the past few years, Quick Fit has gotten company employees moving and grooving. The program focuses on strength training, balance, agility, coordination and cardio fitness. It has everyone from line technicians to office workers getting a healthy workout and just having fun. For 15 minutes a day, employees gather in various locations around the company to stretch and move – helping prevent minor aches, pains and missteps that can lead to lost workdays. Program participation kept expanding throughout Duke Energy in 2015 – and is expected to continue increasing in 2016.

Photo caption: Jimmy Le Blanc, Raymond Campbell, Mike Stanton, Allen Dyer, Reggie Hicks and Nathan Ashley doing a hip flexor stretch.

Raleigh Operations Center

At Nash Community College in North Carolina, a \$250,000 grant helps offer training to students on precision machinery that's used by industrial customers for various cutting processes.

Sandhills Community College in North Carolina received a \$250,000 grant to create an expanded state-of-the-art welding program.

Duke Energy embraces the challenge of preparing a workforce that has the specialized skills needed for all types of business. That helps us, but it also helps the industries we serve.

A promise to employees

When changes occur that affect employees, Duke Energy works hard to help them navigate the transition. For Crystal River Nuclear Plant employees, February 5, 2013, seemed like the end. The decision announced that day to retire the plant, known as CR3, after 36 years of service left its 600 employees with feelings of sadness, apprehension and uncertainty. Now, many of those same employees look back on that day not as an ending but as a new beginning.

The day after the announcement, senior company leaders met with CR3 employees to listen to their concerns and answer their questions. Senior leaders made this promise: If you want to continue working for Duke Energy, we will redeploy as many of you as possible to other positions within the company.

Human Resources staff met with employees one-on-one to understand their career preferences – asking employees whether they wanted to stay on site to fill a temporary position on the decommissioning team, to redeploy to another position within the company or to leave the company with severance benefits. In most cases, Duke Energy was able to fulfill employee preferences.

Duke Energy also held internal job fairs with workgroups across the company and hired an on-site recruiter to help employees navigate the hiring process.

Three years later, Duke Energy has successfully placed about two-thirds of the employees affected by the decision to retire the nuclear plant. More than 300 employees have redeployed to other positions within the company, and about 70 employees – not including security officers or contractors – remain on site as part of the decommissioning team. Many of the other affected employees used this change as an opportunity to retire.

Taking an interest, this employee made it happen

When you write a big company, who reads it? If you're lucky, Keith McGuinness does.

Julie Nofsinger wrote a letter to Duke Energy's real estate team a few years ago about property located at one of our 3,200 substations.



Julio Gonzalez / Engineering Technologist

USING ART TO FOCUS ON MATH AND SCIENCE CAREERS

Julio Gonzalez and members of Latinos Energizing Diversity (LED), an employee resource group at Duke Energy, wanted to do something different for an educational outreach program in Charlotte-area schools.

“We thought, ‘What if we engage students more and combine left-brain, right-brain concepts together on a project?’” said Gonzalez. The group envisioned a collaboration that involved students in a hands-on STEM art project that would have a lasting impact on the students.

LED members subsequently visited three schools – Charlotte’s Morehead STEM Academy, Mallard Creek High School and Vance High School – where they talked with students about various career paths at the company and in the energy industry.

What followed was the creation of large murals by the students demonstrating various aspects of STEM.

With the help of a Duke Energy Foundation grant, 30 enthusiastic students from each school – chosen by principals and teachers – worked independently to illustrate an aspect of STEM on 8.5-by-11-inch pieces of paper. The illustrations were then put on large vinyl stickers and assembled into three large murals – one at each school.

The finished pieces show a wide range of topics related to energy, from battery storage to renewable power.

“The project helps further STEM education, but it goes well beyond that,” said Gonzalez. “It gives students an opportunity to solve real-life problems and helps to build pride in their school.”

Would the company work with a local garden association on a community garden project?

McGuinness knew the site well. The 0.22 acres the garden group was interested in held no future plans for the company. He decided to take action – just like many employees, who are helping communities throughout our regions.

Today, underneath a large transmission power line, tomatoes, peppers, squash and cucumbers are just a few of the plants growing. It’s a nice outlet for neighbors, whose shady yards made growing vegetables difficult.

Launched in June 2015, the 36 plots at the garden are fully subscribed – and neighbors are waiting for openings.

McGuinness says he hopes the company can work with other community groups on similar projects.

“Every piece of property is not the same, and every project might not be the right fit for the company,” he said. “But there is no reason why we can’t do more projects like this.”

Besides a dose of goodwill, Duke Energy also benefits since the group clears the underbrush around the site, helping Duke Energy avoid future landscaping needs.

Workforce Performance Metrics

Workforce Statistics

	12/31/13	12/31/14	12/31/15
Full- and part-time employees	28,129	28,344	28,905
■ United States	26,883	27,099	27,737
■ International	1,246	1,245	1,168
Collective bargaining unit/union members as percent of workforce			
■ U.S. (members of a collective bargaining unit)	21.0%	19.6%	18.3%
■ International (dues-paying members of a union)	26.7%	24.4%	23.9%

U.S. Workforce Demographics¹

	12/31/13	12/31/14	12/31/15
Ethnic diversity as percent of workforce			
■ White	85.4%	85.2%	84.3%
■ Black/African-American	10.6%	10.7%	11.1%
■ Hispanic/Latino	2.1%	2.1%	2.5%
■ Asian	1.2%	1.3%	1.4%
■ American Indian/Alaska Native	0.5%	0.6%	0.6%
■ Native Hawaiian/Other Pacific Islander	0.0%	0.1%	0.1%
■ Not specified	0.2%	0.0%	0.1%
Females/minorities as percent of workforce/management			
■ Females as percent of workforce	22.4%	22.2%	22.6%
■ Females as percent of management	18.2%	18.0%	17.2%
■ Minorities as percent of workforce	14.4%	14.8%	15.6%
■ Minorities as percent of management	9.7%	10.2%	10.4%

U.S. Employee Turnover Summary

	2013	2014	2015
Turnover as percent of workforce	11.3%	7.1%	7.5%
Percentage of employees eligible to retire in 5 years²	48.0%	48.8%	46.3%
Percentage of employees eligible to retire in 10 years²	60.3%	62.0%	59.3%

¹ Ethnic diversity and gender data are not captured for Duke Energy International employees.

² "Eligible to retire" is defined as 55 years of age or older, with at least five years of service.

An Age-Diverse Workforce

Younger generations are joining our workforce in larger numbers, and assuming more responsibility at Duke Energy. As our workforce evolves, we work hard to assure that we continue to be qualified, skilled, engaged and enabled to run Duke Energy's evolving business.

Four Generations of Duke Energy's U.S. Employees*



0.2% Traditionalists (born before 1946)
44.8% Baby boomers (born 1946-1964)
36.4% Generation X (born 1965-1981)
18.7% Millennials (born after 1981)

*Total does not add up exactly to 100 because of rounding.

GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI) is a recognized international framework for economic, environmental and social performance disclosure. We provide a detailed response to GRI indicators on our website, including indicators in GRI's Electric Utilities Sector Supplement.

FORWARD-LOOKING INFORMATION

Cautionary statements regarding forward-looking information

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to: state, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices; the extent and timing of costs and liabilities to comply with federal and state laws, regulations, and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate; the ability to recover eligible costs, including amounts associated with coal ash mitigation such as coal ash impoundment retirement obligations and cost related to significant weather events, and earn an adequate return on investment through the regulatory process; the costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process; credit ratings of the Duke Energy Registrants may be different from what is expected; costs and effects of legal and administrative proceedings, settlements, investigations and claims; industrial, commercial and residential growth or decline in service territories or customer bases resulting from variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies; federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as rooftop solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs; advancements in technology; additional competition in electric markets and continued industry consolidation; political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business; the influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes; the ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources; the impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences; the inherent risks associated with the operation and potential construction of nuclear facilities,

ABOUT OUR DATA

This report contains the best data available at time of publication. Social and environmental data can be challenging to accurately measure. We correct and report errors in prior-year data when found, and we work to continually improve our data measurement, gathering and reporting processes to increase the integrity of information presented.

including environmental, health, safety, regulatory and financial risks; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets; the results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations and general economic conditions; declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds; construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all; changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants; the ability to control operation and maintenance costs; the level of creditworthiness of counterparties to transactions; employee workforce factors, including the potential inability to attract and retain key personnel; the ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent); the performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; the impact of potential goodwill impairments; the ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis; the expected timing and likelihood of completion of the proposed acquisition of Piedmont Natural Gas Company, Inc. (Piedmont), including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, and under certain specified circumstance pay a termination fee of \$250 million, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and the ability to successfully complete future merger, acquisition or divestiture plans. Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at www.sec.gov. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made; the Duke Energy Registrants expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NON-GAAP FINANCIAL MEASURES

Adjusted Earnings and Adjusted Diluted Earnings Per Share (EPS)

Duke Energy's 2015 Sustainability Report references 2015, 2014 and 2013 adjusted diluted earnings per share (EPS) of \$4.54, \$4.55 and \$4.36, respectively.

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items are measured as income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per share impact of mark-to-market impacts of economic hedges in the Commercial Portfolio segment and special items including the operating results of the nonregulated Midwest generation business and Duke Energy Retail Sales, LLC (Disposal Group) sold to Dynegy Inc., classified as discontinued operations for GAAP purposes. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Management believes that including the operating results of the Disposal Group reported as Discontinued operations better reflects its financial performance and therefore has included these results in adjusted earnings and adjusted diluted EPS prior to the sale of the Disposal Group. Additionally, as a result of completing the sale of the Disposal Group during the second quarter of 2015, state income tax expense increased as state income tax apportionments changed. The additional tax expense was recognized in Continuing Operations on a GAAP basis. This impact to state income taxes has been excluded from the Commercial Portfolio segment for adjusted diluted EPS purposes as management believes these impacts are incidental to the sale of the Disposal Group. Derivative contracts are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Portfolio segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately and, if associated with the Disposal Group, classified as discontinued operations, as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g., coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the derivative contracts from adjusted earnings until settlement better matches the financial impacts of the derivative contract with the portion of economic value of the underlying hedged asset. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors, employees, stockholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common stockholders, which include the dollar and per share impact of special items, mark-to-market impacts of economic hedges in the Commercial Portfolio segment and discontinued operations.

Adjusted Diluted EPS Outlook

Duke Energy's 2015 Sustainability Report also references the growth range for 2016 to 2020 of 4 to 6 percent in adjusted diluted EPS (on a compound annual growth rate (CAGR) basis). Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations attributable to Duke Energy Corporation stockholders, adjusted for the per share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Portfolio segment (as discussed above under Adjusted Diluted EPS). Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items or mark-to-market adjustments for future periods.

Duke Energy's adjusted earnings and adjusted diluted EPS may not be comparable to similarly titled measures of another company because other entities may not calculate the measures in the same manner.

The following table reconciles net income and diluted EPS to adjusted income and adjusted diluted EPS for 2015, 2014 and 2013.

	Years Ended December 31,					
	2015		2014		2013	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
(in millions, except per share amounts)						
Adjusted earnings	\$3,152	\$4.54	\$3,218	\$4.55	\$3,080	\$4.36
Cost savings initiatives	(88)	(0.13)	—	—	—	—
Costs to achieve mergers	(60)	(0.09)	(127)	(0.18)	(184)	(0.26)
Edwardsport settlement	(58)	(0.08)	—	—	—	—
Ash basin settlement and penalties	(11)	(0.02)	(102)	(0.14)	—	—
International tax adjustment	—	—	(373)	(0.53)	—	—
Asset impairment	—	—	(59)	(0.08)	—	—
Economic hedges (mark-to-market)	—	—	(6)	(0.01)	—	—
Asset sales	—	—	9	0.01	50	0.07
Crystal River Unit 3 charges	—	—	—	—	(215)	(0.31)
Nuclear development charges	—	—	—	—	(57)	(0.08)
Litigation reserve	—	—	—	—	(14)	(0.02)
Discontinued operations	(119)	(0.17)	(677)	(0.96)	5	—
Net income attributable to Duke Energy Corporation	\$2,816	\$4.05	\$1,883	\$2.66	\$2,665	\$3.76

