

EDITED TRANSCRIPT

Q2 2017 Duke Energy Corporation Earnings Call

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PRESENTATION

Operator

Good day, and welcome to the Duke Energy Second Quarter Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mike Callahan. Please go ahead, sir.

Michael Callahan - *Duke Energy Corporation - VP of IR*

Thank you, Cathy. Good morning, everyone, and thank you for joining Duke Energy's Second Quarter 2017 Earnings Review and Business Update. Leading our call today is Lynn Good, Chairman, President and CEO; along with Steve Young, Executive Vice President and CFO.

Today's discussion will include forward-looking information and the use of non-GAAP financial measures. Slide 2 presents the safe harbor statement, which accompanies our presentation materials. A reconciliation of non-GAAP financial measures can be found on the Investor Relations section of our website and in today's materials. Please note, the appendix for today's presentation include supplemental information and additional disclosures.

As summarized on Slide 3, during today's call, Lynn will briefly discuss our financial and operational highlights for the quarter. She will also provide an update on our efforts to achieve timely cost recovery in North Carolina, how we continue to transform the customer experience and the progress we have made on our strategic investments. Steve will then provide an overview of our second quarter financial results and insight about our economic and load growth trends. He will also provide more details about our North Carolina rate cases before closing with our key investor considerations.

With that, let me turn the call over to Lynn.

Lynn J. Good - *Duke Energy Corporation - Chairman, President and CEO*

Thank you, Mike, and good morning, everyone. Today, we announced adjusted earnings per share of \$1.01 for the second quarter. These results reflect strong execution in driving growth, managing costs and making progress on our strategic investment priorities. We remain on track to deliver our full year earnings guidance range of \$4.50 to \$4.70 per share.

During the quarter, we also increased our quarterly dividend by 4.1%, in line with our policy to grow dividends consistent with our long-term growth in earnings. This marks the 91st consecutive year we paid a cash dividend to our investors.

Turning to operations. We continue to pursue excellence in everything we do. The second quarter is an important quarter for nuclear outages. Over the last 2 years, our nuclear leadership team has been focused on driving greater productivity into our outage performance. That work is delivering results. At McGuire station, we completed a 23-day unit outage, a new record for McGuire. And at our Catawba station, the team completed an outage in 24 days, 5 days ahead of schedule. These efforts are consistent with our strategy to find additional efficiencies in our processes and more effectively manage outage timelines.

Our Edwardsport plant is also setting new operational records. Gasifier availability has improved to over 85% year-to-date. The plant is also in the midst of a record-setting run of more than 200 consecutive days, an increase of nearly 20% over the prior station record. As a result of this strong operational performance, electric generation has exceeded the prior year by more than 8%.

In addition, EEI recently presented us their Excellence Award for Supplier Diversity, highlighting our focus on collaborating with a diverse set of vendors and suppliers as we advance our long-term strategy, and Piedmont Natural Gas was named America's second-most trusted utility among residential customers according to a nationwide survey. These results demonstrate the dedication and commitment of our employees. I want to thank them for their focus on safe operations while providing our customers with reliable energy every day.

Moving to Slide 5. I wanted to spend a few minutes highlighting progress on our strategy, investing in infrastructure our customers value and delivering sustainable growth. This slide outlines the underlying investment priorities, strengthening and modernizing the energy grid, generating cleaner energy and expanding our natural gas infrastructure. Importantly, it also highlights key foundational elements to our success, customer focus and stakeholder engagement.

Today, I will update you on work underway on these 2 foundational elements, focusing on House Bill 589 and the customer experience, followed by an update on our strategic investments priorities. Slide 6 includes a summary of recently enacted legislation, House Bill 589, also known as the Competitive Energy Solutions for North Carolina Act. This legislation provides a strong example of stakeholder engagement and progress in achieving timely investment recovery in North Carolina. It outlines a thoughtful, rational approach to renewables growth that supports our commitment to deliver reliable and cleaner energy to customers and timely returns to investors. And it has the broad support of a wide range of stakeholders.

The law reforms the PURPA process and helps integrate new renewable generation in a way that balances reliability and affordability. It will now allow costs associated with standard contracts for qualified facilities to be recovered through the state's fuel clause. It also creates a competitive bidding process for approximately 2,600 megawatts of utility scale renewable energy projects. Duke Energy will have an opportunity to participate with self-build projects up to a 30% cap. However, utilities may also acquire projects with third parties, and these acquisitions are not subject to cap.

The law also allows for the recovery of costs associated with these projects through a new rider to be established by the commission. The competitive bidding process will ensure that new renewables are brought onto the system at market-based rates, delivering nearly \$1 billion in savings for our customers over the next decade. It will support the continued growth in renewables in a market driven and customer-focused way and provide an opportunity for additional utility-owned investments by our Carolinas utilities.

This legislative accomplishment demonstrates the importance of stakeholder support and collaboration. We continue to lay the foundation to advance a broader public policy agenda in North Carolina that supports a healthy, robust energy market through energy grid investment. Strengthening and modernizing the grid will deliver tremendous benefits to our customers while also creating thousands of new jobs and putting millions of dollars right back into our local communities through new economic development. Our agenda will include both legislative and regulatory initiatives.

Turning to Slide 7. As we implement our vision for Duke, the customer is at the center of all we do, enhancing their experience is a strategic part of our infrastructure investment strategy. Work is underway to expand customer control, convenience and choices about their energy experience. Examples include programs such as pick your own due date and prepaid advantage. Customers can select a billing due date that fits their personal

preferences. Prepaid Advantage is a pilot program that allows customers to choose the amount, date and frequency at which they prepay for their energy services. Customers with smart meters now also receive energy usage alerts, minimizing surprises when their bill arrives, and smart meters will also allow us to enhance our existing outage awareness communications.

Finally, as outlined on this slide, we are launching a new Duke Energy customer app in early 2018. The app will provide real-time personalized updates, giving our customers more control over their energy usage and enhancing their interactions with Duke Energy. Our customers expect customized solutions, and we're expanding our services to meet and exceed their expectations.

Turning to Slide 8, I want to highlight a few of our strategic investments. In the second quarter, we advanced our plans to install smart meters across our service areas. The Kentucky Public Service Commission approved our plans to deploy smart meters to our Northern Kentucky electric customers. This will add to the more than 2 million meters we have already installed across our service territories. We're also making progress in our investments in low carbon natural gas plants and renewables. Our W.S. Lee, Citrus County and Western Carolinas combined cycle natural gas plants are progressing on schedule and remain on budget, and we're advancing our proposed expansion of our Lincoln combustion turbine site using state-of-the-art Siemens technology. Also in mid-July, the Public Service Commission of South Carolina approved our contract to move forward with a combined heat and power project with Clemson University.

Shifting to our gas business, we've reached significant milestones for 2 of our natural gas pipeline projects. FERC issued the final environmental impact statement for the Atlantic Coast Pipeline on July 21. Federal and state permitting efforts are proceeding in parallel and are on track. We look forward to the confirmation of the current FERC appointees to ensure a quorum. This will allow the commission to issue the final project certificate this fall, keeping the project on target for an in-service date in the second half of 2019.

As of July 3, the Sabal Trail mainline is now in service, delivering much-needed natural gas to the southeast region. We are also on track to complete the lateral to our new Citrus County combined cycle plant in October. We continue to work through the permitting process for the proposed Constitution Pipeline project. We anticipate that the Second Circuit Court of Appeals decision will be issued soon. In light of this delay, the targeted service date has been revised to as early as the first half of 2019. Natural gas will play a major role in our continued growth and we're committed to expanding our infrastructure to meet our customers' needs.

In closing, we're now halfway through 2017 and building momentum for the future. We remain on track to deliver current year results. We are also maintaining a strong focus on our strategic priorities, our customers, the energy grid, generating cleaner energy, developing gas infrastructure and ongoing stakeholder engagement. We are excited about the progress and growth we see in our business and remain committed to the foundation of our success, safety and operational excellence.

Now let me turn the call over to Steve.

Steve Young - *Duke Energy Corporation EVP and CFO*

Thanks, Lynn. Today, I will walk you through the key drivers from the second quarter, discuss current retail volume trends and update you on the economic indicators. I will also provide an overview of our recently filed rate case for Duke Energy Progress North Carolina. I'll close with a summary of our key investor considerations.

Let's start with the quarterly results. I will cover the highlights on Slide 9 and discuss our adjusted earnings per share variances compared to the prior year quarter. For more detailed information on segment variances versus last year and a reconciliation of reported results to adjusted results, please refer to the supporting materials that accompany today's press release and presentation.

On a reported or GAAP basis, 2017 second quarter earnings per share were \$0.98 compared to \$0.74 last year. Second quarter adjusted diluted earnings per share were \$1.01 compared to \$1.07 in the second quarter of 2016. Lower results in the current year reflect the absence of International Energy, which contributed \$0.05 in the prior year quarter and the effects of less favorable weather. Absent these factors, we saw solid growth across each of our operating segments. Electric utilities and infrastructure quarterly adjusted results were up \$0.03 per share quarter-over-quarter. This performance was primarily driven by a higher retail revenues from increased pricing and riders and stronger retail volumes. I'll discuss the individual drivers of volume growth by customer class in just a moment.

Regulatory pricing is higher as a result of the recent activity in our DEP South Carolina utility and from generation base rate adjustments in Florida. As for riders, we are seeing incremental growth in our Indiana and Ohio grid investment riders and utility-sponsored energy efficiency riders in the Carolinas.

We continue to manage cost across the business, finding additional efficiencies and optimizing our resources. We are on track to meet our O&M savings goals for the year, exhibiting flexibility to mitigate the unfavorable weather in the first quarter. We've made great progress to date, and we'll continue to work hard managing cost in the second half of the year. Gas Utilities and infrastructure results were primarily driven by our ongoing investments in the Atlantic coast and Sabal Trail pipelines. As expected, the LDC results were flat in the quarter, and we continue to expect these businesses to provide the bulk of their remaining earnings contribution in the fourth quarter.

Moving on, our Commercial Renewables segment was up \$0.02 for the quarter. Increased wind resource and production from new projects brought online in 2016 were partially offset by lower solar ITCs in the current year. Other was down \$0.07 for the quarter. This was driven by higher tax expense primarily due to a prior year favorable IRS resolution and higher interest expense at the holding company from the Piedmont acquisition financing. Based on our results to date and expectations for the second half of the year, we are on track to finish within our full year adjusted earnings per share guidance range of \$4.50 to \$4.70 per share.

Turning to Slide 10. I will review our retail volume trends. On a rolling 12-month basis, weather normalized retail electric load was 0.6% driven by improvement across all customer classes. Excluding the impact of the leap day in the prior year, our rolling 12-month volume growth would have been 0.9%.

Building upon our first quarter trends, growth in the second quarter was 1.2%. The solid results for the first half of the year and the rolling 12 months aligned with our long-term expectations for approximately one half of 1% load growth over our 5-year planning horizon. The residential sector grew 2.5% in the quarter and 1% on a rolling 12-month basis as our attractive service territories continue to experience new customer growth. This is particularly true in the Carolinas and Florida, where we are seeing residential customer growth of 1.4% and 1.5%, respectively.

Our combined gas utilities are also adding new customers at an annual rate of 1.3%. The Piedmont service territories are growing at 1.6% with very strong growth of almost 2% in the Nashville Metro area. As we look ahead, trends in new job and wage growth and continued recovery in the housing market are positive signs for ongoing residential growth. We continue to see a trend of increasing single-family building permits across all of our service territories and a decline in the starts of multifamily homes. As of May, the southeastern states that Duke serves in, our electric and gas utilities rank among the top 7 states in the country for growth in single-family building permits. In all, 8 of the top 25 metro areas for growth in single-family permits are cities within Duke's service territories.

During the second quarter, commercial sales across our jurisdictions improved by 0.4% and are up 0.8% over the rolling 12 months. As we experienced growth in the residential class, we see corresponding growth in related commercial businesses such as hotels and restaurants. Even with the addition of new office space in our service areas, vacancies continue to decline, demonstrating positive signs for growth in this sector.

Turning to industrials. On a rolling 12-month basis, the sector declined 0.2%. However, quarterly performance was strong for the second quarter in a row with 0.7% growth in Q2.

Industries that support sales to consumers such as construction and housing continue to perform well. This strength is partially offset by the metals and auto manufacturing sectors. As we look to the remainder of the year, we are cautiously optimistic about the continued strength in industrials as the job market remains robust and industrial production advances. We will continue to closely monitor economic conditions and our customer usage patterns, and we'll update you throughout the remainder of the year.

Before closing, I want to highlight a few of the key drivers for the pending rate case in our Duke Energy Progress North Carolina utility as highlighted on Slide 11. On June 1, we filed a request with the North Carolina Utilities Commission to increase revenues by \$477 million for Duke Energy Progress. This is our first rate case in this jurisdiction since 2013. Since the prior rate case, we've made significant investments in new generation facilities to meet the needs of a growing customer base and transition to a low carbon future. These facilities include new solar generation, highly efficient natural gas-fired units at our Sutton site and amount spent to date on our new Western Carolinas Modernization Project. In addition, we are seeking

to recover investments required to comply with Federal and State environment regulations. These include a wastewater treatment system at our Mayo coal-fired facility and expenses incurred to safely close our ash basins. As we have also requested to include an estimate of the ongoing costs associated with ash basin closure efforts based on actual spend in 2016. Any amounts spent above or below this estimate will be deferred to a future rate case. This approach would allow us to recover our estimated cost as incurred, reducing our financing cost and ultimately benefiting our retail customers. If approved, this will build upon the recent FERC order, allowing both DEC and DEP to recover cost for coal ash remediation from wholesale customers. We believe this is a prudent approach to managing these expenses and maintaining competitive rates for our customers. Looking ahead, intervener testimony is due on October 20, and the hearings will begin on November 20. Under this schedule, new rates could go into effect on February 1, 2018.

Also in North Carolina, we submitted our notice to the NCUC that Duke Energy Carolinas intends to file a rate case on or about August 25. Similar to Duke Energy Progress, Duke Energy Carolinas has not had a rate case since 2013. Detailed information will be available when we make the full filing later this month.

I'll close with Slide 12, a reminder of our attractive investor value proposition. Duke Energy's large regulated franchises and diverse investment opportunities provide balanced growth in earnings and reliable dividends over time. We are well positioned to deliver growth in earnings and dividends in a low risk, predictable and transparent way, providing an attractive risk-adjusted shareholder return for our investors. As a capital-intensive business, our growth is supported by the scale and strength of our balance sheet. In May, Moody's changed their outlook for Duke Energy Corporation to stable from negative and affirmed our current ratings at the holding company and subsidiaries, further validating our approach to managing the balance sheet. We remain focused on maintaining this strength for the benefit of our customers and investors. In short, our attractive yield and demonstrated ability to reliably grow our regulated businesses positions Duke Energy as the leading infrastructure investment.

With that, let's open the line for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And We'll take our first question from Mike Weinstein with Crédit Suisse.

Michael Weinstein - *Crédit Suisse - Analyst*

Could you talk a little bit about the status of legislation in North Carolina and where you think that might be going? And what kind of a timeline you might be expecting on that?

Lynn Good - *Duke Energy Corporation - Chairman, President and CEO*

Mike, we're really pleased with the H.B. 589 that we referenced on the call. This was very constructive, I think, really a win-win piece of legislation, culminating from a 10-month stakeholder process and bringing not only the opportunity for growth by reduction of cost to customers, improving reliability and opportunities for additional investment for Duke. So we see it as a demonstrated milestone for us as we continue to advance legislative initiatives in the Carolinas. As you know, additional investment around the grid remains a priority for us, and we have laid a very strong foundation in this legislative session on the compelling business case for customers and also the case for job creation in North Carolina and look for ways that we can continue to advance that agenda, not only in the legislature, but in the regulatory arena as well. So we see 2017 as being a year that we make great progress and more to come.

Michael Weinstein - *Crédit Suisse - Analyst*

And also with the PURPA reforms passed, when do you expect to see maybe some additional opportunities coming from that?

Lynn Good - Duke Energy Corporation - Chairman, President and CEO

There's a procedural schedule that goes with the legislation, Mike, we need to make a series of filings. So I think about this as beginning in 2018 generally. This does represent additional investment opportunities for us in renewables, which we'll evaluate carefully along with all of the other capital opportunities that we have. So we see it as a very constructive piece of legislation, benefiting customers and also creating a sustainable renewable market here in the Carolinas.

Michael Weinstein - *Crédit Suisse* - Analyst

So perhaps maybe we'll see some more info on that next February, is that in the next CapEx update?

Lynn Good - Duke Energy Corporation - Chairman, President and CEO

Sure. Certainly, we'll give you an update on CapEx in 2018 and we'll continue to develop this opportunity, Mike, even between now and then. So you can think about us as looking for ways throughout all of our jurisdictions to continue to deploy capital, and this represents another opportunity to provide investors with visibility on what is possible and, we think, underpins our growth rate for the future. So we look at this as a very significant milestone for us.

Greg Gordon - *Evercore ISI*, - Analyst

Congratulations on the legislation. Clearly, a win for customers by lowering their costs and also a win for you guys by being able to participate if you can bring in competitive projects, so congrats on that. On the rate case, you indicated we won't be getting any details on the Duke Energy Carolinas filing for a little while now, but what was the date again at which we will be able to sort of analyze the ask there?

Lynn Good - Duke Energy Corporation - Chairman, President and CEO

Greg, it will be later in August. So we typically file notice 30 days before the case is filed. That's the process here in North Carolina, so we filed notice in late July. You'll hear more late August.

Greg Gordon - *Evercore ISI*, - Analyst

Great. And can we talk a little bit about the ask in the Duke Energy progress case? I know it's early days in your filing and you'll be engaging with all of your -- all the major parties in the case as we go through time. But the headline increase is 14%. That's a pretty substantial number. Now I also understand that you haven't filed a rate case in many years, and so that's a cumulative effect of having been away from rate filings for a while. And the fact that you've put a substantial amount of capital to work, which you deserve recovery for. But still, it's just a very large number. So can you talk about sort of how you socialize that, especially in the context of a lot of the growth capital that you've talked about related to grid modernization isn't even in this case, it's going to be a subsequent -- sort of future negotiations for the commission.

Lynn Good - Duke Energy Corporation - Chairman, President and CEO

Greg, it's a fair question, and I would point to a couple of things on this. It has been several years since we've been in, you'll notice -- one thing that's not in the case is very aggressive cost management. So we've been able to deliver consistent and deliberate cost management to offset impacts to customers. And as we think about moving this case through the process, we will also engage with stakeholders as you referenced to reach a settlement, if we can do that or to have good constructive discussions on how we move forward. So we've got strong capital in here for things like the Sutton plant and new solar, and we also have investments in the Western Carolinas Modernization Project, which has been strongly supported here in the Carolinas, and of course, coal ash. So I think, we have a demonstrated record if you look at the way we've approached the rate cases in this state, really in every state we operate in. Bringing people together to come up with a solution that works for customers and investors will ultimately be our objective and, I believe, the commission as well, finding that right balance between customers and investors. So we will work this as we've worked every case. And I have confidence that we'll deliver an outcome that makes sense for both, customers and investors.

Greg Gordon - Evercore ISI, - Analyst

Great. And can you just refresh our memories traditionally if there's an opportunity for settlement that's sort of what window in the case does that usually avail itself?

Lynn Good - Duke Energy Corporation - Chairman, President and CEO

I would look to kind of the October, mid-October to mid-November time frame, Greg, for the DEP case. The procedural schedule has the hearing set for November 20. Testimony occurs kind of in that last month before the hearing and so that's at the point where you start to see the positions of parties and you create an opportunity to sit down and have discussions.

Jonathan Arnold - Deutsche Bank - Analyst

So we just wanted -- you cited ACP as one of the drivers in the quarter and increased investment. Can you share how much you've invested to date and prior to things getting moving?

Steve Young - Duke Energy Corporation -- EVP and CFO

Yes, we've got about \$500 million invested in ACP at this point.

Jonathan Arnold - Deutsche Bank - Analyst

Okay. So that's the rate base number effectively that's driving the clip?

Steve Young - Duke Energy Corporation -- EVP and CFO

That's correct.

Jonathan Arnold - *Deutsche Bank - Analyst*

Okay. And then just on the costs to achieve on Piedmont, they seem to be kind of still running at a decent clip. Give us a sense of what's still being booked there and when does that start to fade?

Steve Young - *Duke Energy Corporation – EVP and CFO*

That will continue to fade through 2017 and through 2018. We still have some software integration costs that we're looking at. That's the primary area, as you retire systems that Piedmont was on, convert data over into the Duke system and do those types of software integration efforts. That's the main effort underway at this point.

Jonathan Arnold - *Deutsche Bank - Analyst*

So you think by -- they'll run through next year and then they'd be small?

Steve Young - *Duke Energy Corporation – EVP and CFO*

That's correct.

Lynn Good - *Duke Energy Corporation - Chairman, President and CEO*

Jonathan, I would add, I think the integration of Piedmont has really been a textbook integration. Very smooth, the business continues to run very well. And given our track record here of a number of mergers over time, we've developed a playbook that we've effectively executed here. So I'm really pleased with where we are in the integration.

Praful Mehta – *Citi - Analyst*

So quick question on the rate case, Duke Energy Progress rate case. Is the ROE something that would also be up for discussion in terms of the 10.75%? Or you think that one is more set and really not up for debate?

Lynn Good - *Duke Energy Corporation - Chairman, President and CEO*

Praful, ROE is always up for discussion. Our allowed ROE today is 10.2. We believe in a rising interest rate environment. The 10.75% is a defensible ask, but ROE is always a topic of discussion and will be in this case.

Praful Mehta – *Citi - Analyst*

Got you. And the rising interest rate environment is more based on projections of where you see rates going over time? Is that how they will look at it?

Lynn Good - Duke Energy Corporation - Chairman, President and CEO

That's correct.

Praful Mehta – Citi - Analyst

Fair enough. Got you. And the other thing I was also looking at was the holding company debt. I think one of the slides in the back, you have the issuances and there seems to be more of the issues in this year or so, it's on slide, I think, 25. Just wanted to understand, like what is the percentage target, I guess, in terms of holding company that is a proportion to total for this year? And then is there any concern from a notching perspective in terms of credit ratings, where agencies are limiting or saying that above a certain level, there could be a notching implication on the rating?

Steve Young - Duke Energy Corporation – EVP and CFO

As we put forth in February, we expect the holding company debt to be in the mid-30s percentage of total company debt this year, and over our 5-year plan, it will crest around the mid-30s and start to come down a bit in the low to mid-30s by the end of the 5-year plan, and we've been very transparent with the rating agencies about that. We think with our low-risk profile of our businesses that certainly is comfortable for our credit ratings and our rating agencies have agreed with us on that. Regarding our holding company position for this year, we've issued about \$1 billion, a lot of it through private placement thus far through 2017. There'll be some other issuances at the holding company level that we're planning could be fairly soon in the summer.

Lynn Good - Duke Energy Corporation - Chairman, President and CEO

And Praful, I think the important point here is if you look at where the company is positioned coming out of all the portfolio transition that's been underway, we operate a very strong set of regulated utilities and low-risk jurisdictions with visible capital investment that we have a demonstrated track record of completing. We've been very transparent with the agencies on our capital plans and they're comfortable with where we are. The recent action on Moody's is an indication of that. And so there's nothing in this financing plan that's a change in the way we're managing the business, and we intend to execute our strategic plan of growing the company and maintaining balance sheet strength.

Praful Mehta – Citi - Analyst

Okay, understood. And just finally, I mean, you guys have a pretty good perspective across the U.S. of load growth. So wanted to understand electrification and just electric cars, there seems to be quite a trend, at least expected over time to move in that direction. Do you see that as something impacting load growth over time? Do you see that as a hope for the utility sector in terms of incremental load growth? How do you view that electrification trend, I guess?

Lynn Good - Duke Energy Corporation - Chairman, President and CEO

Praful, I think it is positive, and I think it will grow over time. I don't see it as a step change, though, in load growth because of all the other factors impacting load, including energy efficiency and other items. But it's definitely a positive trend, and we are actively in the electrification market with a team of people working in our service territories and with vendors to find ways that we can take advantage of that opportunity.

Michael Lapidés - Goldman Sachs - Analyst

Congrats on a good quarter. Want to talk Florida for a second because you're getting in the seventh, eighth innings or so with some of the gas generation development, meaning Citrus, Hines. I'm just curious how you're looking at your Florida jurisdiction in terms of, A, the need for new conventional generation; or B, a potential utility scale solar rollout in Florida. We're seeing some of your peers in Florida, the regulated companies actually do a sizable amount of annual investing in utility scale solar. Just curious if your customer base and if the regulator and the intervenors you talk to down there kind of have an appetite for that for Duke Energy Florida?

Lynn Good - *Duke Energy Corporation - Chairman, President and CEO*

Michael, I feel like we have a wealth of opportunities in Florida. You may remember that we're under a settlement agreement that runs through January 1, 2019, and so the team is very actively looking at the next wave of investment to deliver customer benefits. We think renewables will be a part of that. You may have noticed in our 10-year site plan, we have like 750 megawatts of solar on our agenda. We also see additional growth investment potential in Florida, so that work is underway. And as we continue to mature those ideas and reach a time frame where it makes sense to talk about it more specifically, we'll do that. But we see great opportunity in Florida and really pleased with the rebound in the economy there. The growth that Steve highlighted just underscores the strong and growing jurisdictions in which we operate.

Paul Thomas Ridzon - *KeyBanc - Analyst*

Can you put book ends around what you see the opportunity around Bill 589? And do you think that, is that incremental capital, would that displace other capital?

Lynn Good - *Duke Energy Corporation - Chairman, President and CEO*

Paul, the one way to think about it is there's about 3,000 or so megawatts of solar in that legislation. We have an ability to compete for 30% of that and we have the ability to buy beyond that 30% and flow those costs through a rider, which gives us timely investment recovery. In our 5-year plan, we have something like \$400 million of capital directed toward that type of investment in the Carolinas. So we do have more investment opportunities than we imagined in February. And our role will be to look at those investment opportunities, compare it to alternatives and do as much as we can in a way that delivers great returns. So I see it as a growing list of great opportunities to deploy capital that underpins confidence in the ability to grow at 4% to 6%.

Operator

And there are no more questions in queue.

Lynn Good - *Duke Energy Corporation - Chairman, President and CEO*

Okay. Well, thank you, everyone, for participating today. We'll have a chance to see many of you over the next month or so, and look forward to a good third quarter. Of course, the IR team is available this afternoon if there are any further questions. And appreciate your interest and your investment in Duke Energy. Thanks again.