Duke Energy reaches revised multi-year settlement with Florida consumer advocates

ST. PETERSBURG, Fla., Aug. 1, 2013 /PRNewswire/ -- Duke Energy Florida today filed a revised settlement agreement with the Florida Public Service Commission (FPSC) that provides long-term clarity for Florida customers, the company and other key stakeholders.

(Logo: http://photos.prnewswire.com/prnh/20130322/CL81938LOGO)

Developed collaboratively with the Office of Public Counsel and other consumer advocates, the revised settlement agreement contains provisions related to the Crystal River 3 nuclear plant (CR3), the proposed Levy nuclear project, the Crystal River 1 and 2 coal units, and future generation needs in Florida.

"The revised agreement represents an effective balance between moderating rate impacts to customers, providing clarity on recovery of past investments and allowing us to move forward with planning for Florida's energy future," said Alex Glenn, Duke Energy state president - Florida.

Major components of the revised settlement agreement include:

- Addressing issues related to the company's decision to retire CR3, CR3 costs to be recovered in customer rates, and the acceptance of the Nuclear Electric Insurance Limited (NEIL) mediator's proposal.
- Terminating the engineering, procurement and construction (EPC) agreement for the Levy nuclear project.
- Establishing a framework for Duke Energy Florida to construct or acquire natural gas-fired generation.
- Allowing recovery of investments in CR3, the Levy nuclear project and the Crystal River 1 and 2 coal units, subject to limited prudence reviews as outlined in the agreement.
- Extending the company's current base rate freeze an additional two years, through the end of 2018.

Additionally, Duke Energy Florida will write-off $295 million associated with CR3 and $65 million related to the wholesale allocation of investments in the Levy nuclear project, as well as accelerate the recovery of $135 million in cash flows related to CR3.

As a result, Duke Energy will recognize pretax charges of approximately $360 million in the second quarter of 2013. These non-cash charges will be treated as special items and, therefore, excluded from Duke Energy's adjusted diluted earnings per share.

The revised settlement agreement is subject to review and approval of the FPSC, which is expected by the end of 2013.

Crystal River 3 nuclear plant

In February 2013, Duke Energy decided to retire CR3 rather than attempt a complex and costly first-of-a-kind repair. The company also announced resolution of its insurance coverage claims related to CR3 through a mediation process with NEIL.

Under the terms of the mediator's proposal, customers and the CR3 joint owners receive the benefit of $835 million in insurance proceeds. This is the largest claim payout in the history of NEIL.

The FPSC currently has an open regulatory proceeding to review several issues, including: (1) the company's previous decision to retire CR3; (2) the acceptance of the mediator's proposal resolving NEIL coverage; (3) the costs of the CR3 repairs fromFebruary 2012 to the present; and (4) the components of the CR3 investment balance that are eligible for recovery beginning in 2017.

The revised settlement agreement, if approved, resolves the current pending regulatory docket before the FPSC.

Proposed Levy nuclear project

In 2008, Duke Energy Florida announced plans to construct two 1,100-megawatt nuclear units in Levy County, Fla.

Duke Energy's EPC agreement was based on the ability to obtain the Nuclear Regulatory Commission's (NRC) combined construction and operating license (COL) by Jan. 1, 2014. As a result of delays by the NRC in issuing COLs for new nuclear plants, as well as increased uncertainty in cost recovery caused by recent legislative changes in Florida, Duke Energy will be terminating the EPC agreement for the proposed Levy nuclear project.

Although the proposed Levy nuclear project is no longer an option for meeting energy needs within the originally scheduled timeframe, Duke Energy Florida continues to regard the Levy site as a viable option for future nuclear generation and understands the importance of fuel diversity in creating a sustainable energy future. Because of this, the company will continue to pursue the COL outside of the nuclear cost recovery clause.

"We continue to believe that a balanced energy portfolio, including renewable energy, energy efficiency, and state-of-the-art cleaner power plants are critical to securing Florida's energy future, and nuclear energy should remain an option to meetFlorida's future energy needs," Glenn said.

The revised settlement agreement provides for the recovery of costs related to the Levy project.

The company will make a final decision on new nuclear generation in Florida in the future based on, among other factors, energy needs, project costs, carbon regulation, natural gas prices, existing or future legislative provisions for cost recovery, and the requirements of the NRC's COL.

Crystal River 1 and 2

The Crystal River 1 and 2 units consist of approximately 875 megawatts of unscrubbed coal capacity. The company is evaluating the potential retirement of both units due to compliance issues with environmental regulations, such as the mercury and air toxics standards.

If the company decides to retire these units prior to their normal retirement date of 2020, the settlement allows Duke Energy Florida to continue recovering annual depreciation in customer rates through the end of 2020, and recover any remaining net book value of the units in 2021 through the Capacity Cost Recovery Clause.

Other provisions

As indicated by the company's 10-year site plan, Duke Energy Florida projects a significant need for additional generation in service by 2018 to replace CR3 and the possible closing of Crystal River 1 and 2 before 2018.

The company is evaluating various sites in Florida, including Citrus County, south of the Levy County site, for a new state-of-the-art, clean-burning natural gas-fired plant.

The revised settlement agreement contains provisions that allow the company to construct, acquire or add to existing generation of up to 1,150 megawatts of gas-fired generation with an in-service date prior to the end of 2017. Prudently incurred costs are recoverable without a general rate case.

Duke Energy Florida also can petition the FPSC to approve up to 1,800 megawatts of additional generation with an in-service date in 2018. If approved, the company can establish a Generation Base Rate Adjustment without a general rate case to recover prudently incurred investments for this generation.

Duke Energy Florida will also agree to extend its current general base rate freeze for an additional two years through the end of 2018 as long as the company's return on equity does not drop below 9.5 percent.

About Duke Energy Florida

Duke Energy Florida, a subsidiary of Duke Energy (NYSE: DUK), provides electricity and related services to approximately 1.7 million customers in Florida. The company is headquartered in St. Petersburg, Fla., and serves a territory encompassing more than 20,000 square miles including the cities of St.

Petersburg and Clearwater, as well as the Central Florida area surroundingOrlando. Duke Energy Florida is pursuing a balanced approach to meeting the future energy needs of the region. That balance includes increased energy-efficiency programs, investments in renewable energy technologies and a state-of-the-art electricity system.

Headquartered in Charlotte, N.C., Duke Energy is a Fortune 250 company traded on the New York Stock Exchange under the symbol DUK. More information about the company is available at: www.duke-energy.com.

Forward-Looking Information

This release 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.

These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement 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 ability to recover eligible costs, including those associated with future significant weather events, and earn an adequate return on investment through the regulatory process; the costs of retiring Crystal River Unit 3 could prove to be more extensive than is currently identified, all costs associated with the retirement Crystal River Unit 3 asset, including replacement power may not be fully recoverable through the regulatory process; the ability to maintain relationships with customers, employees or suppliers; the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; the impact of compliance with material restrictions or conditions related to the Progress Energy merger imposed by regulators could exceed our expectations; 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 customer usage patterns, including energy efficiency efforts and use of alternative energy sources including self-generation and distributed generation technologies; additional competition in electric markets and continued industry consolidation; political and regulatory uncertainty in 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 and tornadoes; the ability to successfully operate electric generating facilities and deliver electricity to customers; the impact on facilities and business from a terrorist attack, cyber security threats and other catastrophic events; the inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks; the timing and extent of changes in commodity price, 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 and general economic conditions; declines in the market prices of equity securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds; 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 retained earnings of foreign subsidiaries or repatriate such earnings on a tax free basis; and the ability to successfully complete future merger, acquisition or divestiture plans.

Additional risks and uncertainties are identified and discussed in Duke Energy's and its subsidiaries' 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 Duke Energy has described. Forward looking statements speak only as of the date they are made, Duke Energy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise that occur after that date.

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