

**Kiran H. Mehta**

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October 1, 2020

**VIA ELECTRONIC FILING**

Ms. Kimberley A. Campbell, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

RE: Duke Energy Progress LLC's Motion for Leave to Designate Late-Filed Potential Redirect Exhibits  
Docket No. E-2, Sub 1219  
Docket No. E-2, Sub 1193

Dear Ms. Campbell:

Enclosed for electronic filing is Duke Energy Progress LLC's *Motion for Leave to Designate Late-Filed Potential Redirect Exhibits*.

Please do not hesitate to contact me should you have any questions. Thank you for your assistance in this matter.

Sincerely,

/s/ Kiran H. Mehta

Kiran H. Mehta

Enclosure

cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. E-2, SUB 1219  
DOCKET NO. E-2, SUB 1193

DOCKET NO. E-2, SUB 1219	)	
	)	
In the Matter of	)	
Application of Duke Energy Progress, LLC	)	
For Adjustment of Rates and Charges	)	<b>DUKE ENERGY PROGRESS, LLC'S</b>
Applicable to Electric Service in North Carolina	)	<b>MOTION FOR LEAVE TO</b>
	)	<b>DESIGNATE LATE-FILED</b>
	)	<b>POTENTIAL REDIRECT EXHIBITS</b>
DOCKET NO E-2, SUB 1193	)	
	)	
In the Matter of	)	
Application by Duke Energy Progress, LLC, for an Accounting Order to	)	
Defer Incremental Storm Damage	)	
Expenses Incurred as a Result of	)	
Hurricanes Florence and Michael and	)	
Winter Storm Diego	)	
	)	

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NOW COMES Duke Energy Progress, LLC (“DE Progress” or the “Company”), by and through its legal counsel and pursuant to Rules R1-7 and R1-24 of the Rules and Regulations of the North Carolina Utilities Commission (“Commission”), and in response to the Public Staff’s Motion for Leave to Designate Late-Filed Potential Cross Exhibits approved by this Commission on September 29, 2020, hereby requests leave to designate as potential redirect exhibits to the Public Staff’s potential Cross Examination Exhibits 140, 141, and 142, the following:

DEP Exhibit 76: Wolfe Research Report on Duke Energy titled “As With College Football Fans this Week, Looking to 2021,” dated August 11, 2020

DEP Exhibit 77: Evercore ISI Report on Duke Energy Corp. titled “Coal Ash Recovery in Focus as DUK Rebases Outlook,” dated August 10, 2020

The Company conferred with counsel for Public Staff on September 28, 2020, and as of the time of this filing, the Public Staff has not indicated that it has any objection to the Company’s request outlined above.

Accordingly, the Company requests leave to designate the documents identified above and attached to this Motion as potential cross examination exhibits.

Respectfully submitted, this the 1<sup>st</sup> day of October 2020.

/s/ Kiran H. Mehta

Kiran H. Mehta

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ATTORNEY FOR DUKE ENERGY  
PROGRESS, LLC



## UTILITIES & POWER

**Regulateds – Market Overweight**

**Integrates – Market Overweight**

**IPPs – Market Overweight**

**Gas/Power Infrastructure – Market Overweight**

August 11, 2020

## DUKE ENERGY

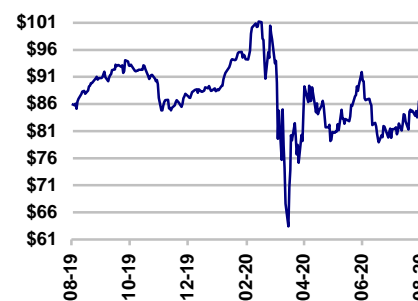
(DUK US Equity – \$84.76 – Peer Perform)

**As with college football fans this week, looking to 2021**

- 2021 considerations point to \$5.15; 4-6% EPS growth thereafter.** On 8/10, DUK's 2Q20 of \$1.08 beat consensus of \$1.03 on larger O&M cuts. Although DUK suggested 2020 could see better than feared sales declines from the pandemic and O&M cuts adding as much as \$0.45 EPS, DUK still pointed to the low end of its FY20 guidance of \$5.05-5.45 based on the removal of ACP (announced 7/5). We raised our 2020E by \$0.06 to \$5.05. DUK gave 2021 considerations, which pointed to \$5.15, and LT EPS growth of 4-6% off 2021. Our 2021E was \$5.15, with implied growth of 4-6% through 2023. Consensus for 2021-23E, however, are ~\$0.15 above our estimates. DUK trailed the UTY by 170bp and is underperforming by 300bp YTD. The stock looks cheap, trading at over a 2x discount to peers, but we see DUK at a 1-2x discount until it resolves credit focus on coal ash and gets better NC capex/recovery visibility.
- NC rate case partial settlement; EPS/credit risk from coal ash.** DUK settled most key items in its NC rate cases but for coal ash. If the NCUC uses the same logic on coal ash that it did in a Dominion order earlier this year, DUK would face an \$0.08 headwind in 2021. Rating agencies have said no return on coal ash in NC would be credit negative, as FFO/debt could decline over 70bp. DUK has said no new equity is planned under various scenarios. We see a downgrade of DUK (A-/Baa1) as likely, but still assume no new equity.
- Upsides from NC clean energy investments, ACP replacement capex.** DUK sees potential investments in NC stemming from its Sep IRP filing or the state's Clean Energy Plan initiative. NC Gov Cooper issued an executive order to achieve 70% carbon reduction by 2030. More to come on NC and opportunities in FL and the Midwest at DUK's 10/9 ESG day. DUK also is identifying replacement capex for ACP, including gas distribution, gas power plants and T&D. The replacement capex would be additive to our numbers.
- O&M and sales.** DUK still sees 3-5% sales declines in 2020. But DUK has achieved 40% of its \$350-450M targeted O&M cut YTD.
- PT raised by \$6 on higher group P/E.** Our \$89 PT reflects a 1.5x discount to our group P/E of 18x (was 17x in last DUK note).

Trading and Fundamental Data	
Target Price	\$ 89
Current Price	84.76
52 Week Range	\$ 62 - \$ 104
Market Cap. (\$MM)	\$ 62,335
Share Out. (MM)	735.4
Dividend Yield	4.45%
Dividend Payout Ratio	79%
ROE	8.5%
Debt to Cap	56.8%
Avg Daily Vol (ooo)	3,212

Price Performance	YTD	LTM
DUK US Equity	-7%	-6%
Utility Index	-4%	2%
S&P 500	4%	15%



Source: FactSet/Wolfe Research

Key Changes		
(US\$)	Current	Previous
Price target	\$89	\$83
2020E EPS	\$5.05	\$4.99
2021E EPS	\$5.15	\$5.15
2022E EPS	\$5.39	\$5.39
2023E EPS	\$5.71	\$5.75

### Estimates / Valuation

(US\$)	2020E	2021E	2022E	2023E
EPS	\$5.05	\$5.15	\$5.39	\$5.71
Consensus	\$5.07	\$5.29	\$5.55	\$5.86
P/E	16.8x	16.5x	15.7x	14.8x
Dividend Yield	4.5%	4.6%	4.7%	4.8%

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August 11, 2020

# Duke Energy Snapshot

## Exhibit 1. Financial Summary

<u>Financial Summary</u>	2020E	2021E	2022E	2023E
EPS	\$5.05	\$5.15	\$5.39	\$5.71
Diluted Shares Outstanding	750	771	777	779
Indicated Dividend Per Share	\$3.86	\$3.93	\$4.01	\$4.09
Dividend Yield	4.5%	4.6%	4.7%	4.8%
Payout Ratio	76%	76%	74%	72%
Equity ratio (excl ST debt)	45%	44%	44%	43%
FFO/Net Debt	16%	14%	14%	14%
<u>Valuation Metrics</u>				
P/E	16.8x	16.5x	15.7x	14.8x
EV/EBITDA	11.2x	11.1x	11.0x	10.8x
P/B	1.3x	1.3x	1.3x	1.2x
FCF/Yield	(1.5)%	(1.3)%	(1.5)%	(1.5)%
<u>Segment EPS</u>				
Electric	\$4.93	\$5.05	\$5.28	\$5.54
Gas	0.51	0.45	0.47	0.54
Commercial	0.33	0.33	0.32	0.32
Parent/Other	(0.72)	(0.69)	(0.68)	(0.69)
<b>Total EPS</b>	<b>\$5.05</b>	<b>\$5.15</b>	<b>\$5.39</b>	<b>\$5.71</b>
<u>ROE on Regulated Rate Base (ex CWIP)</u>				
Carolinas	10.1%	10.0%	10.0%	9.9%
Progress	9.6%	9.6%	9.8%	9.7%
Florida	10.0%	9.9%	10.0%	9.9%
Indiana	9.6%	9.7%	9.7%	9.7%
Ohio-KY	7.1%	7.8%	8.0%	8.1%
Gas	9.7%	8.1%	8.0%	8.5%

Source: Wolfe Utilities &amp; Power Research

## Company description

Duke Energy is headquartered in Charlotte, North Carolina and is the largest utility in the country. The company serves 7.4M electric customers in the Carolinas, FL, IN, OH and KY. DUK's Electric Infrastructure segment, which includes its electric utility subs, makes up most of earnings. DUK also has small gas LDCs in NC and the Midwest and a nonutility midstream business, which form the Gas Infrastructure segment. It serves 1.5M gas customers. DUK also has nonutility renewables investments in its Commercial business, which is expected to remain around 5% of the company.

## Investment Thesis

DUK is the largest US regulated utility. Its regulatory environments are generally reasonable. EPS growth is contingent on fair regulatory treatment and execution on ACP, which awaits legal certainty midyear. NC is a key state for coal ash recovery and grid mod/resiliency spend; but DUK has two pending NC rate cases, adding regulatory uncertainty over the story near-term. DUK's dividend yield is near the top of the group, but growth is below average at about 2%/yr.

## Valuation

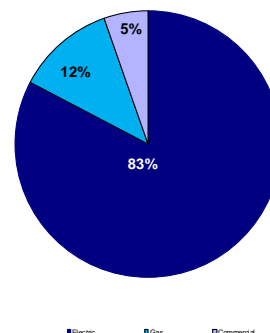
Our PT is based on a 1.5x discount to our average 2022 utility group P/E multiple. The discount is largely due to below average earnings/dividend growth, rate case uncertainty and replacement capex for ACP. Upside risks are incremental capex, an improved regulatory framework, and higher sales. Downside risks are unfavorable regulatory treatment, less capex than planned, and lower sales.

## Exhibit 2. Modeling Assumptions

	2020E	2021E	2022E	2023E
<u>Capital Spending (\$M)</u>				
Electric	\$8,675	\$8,450	\$9,225	\$9,775
Gas	1,175	1,025	1,025	1,025
Commercial	550	600	400	300
Parent/Other	275	225	225	250
<b>Total Capital Spending</b>	<b>\$10,675</b>	<b>\$10,300</b>	<b>\$10,875</b>	<b>\$11,350</b>
<u>Financings (\$M)</u>				
Total Equity Issued/(Repurchased)	\$2,985	\$500	\$500	\$0
Total Debt Issued/(Repurchased)	2,484	2,260	3,275	4,125

Source: Wolfe Utilities &amp; Power Research

## Exhibit 3. 2020E EPS by Segment



Source: Wolfe Utilities &amp; Power Research

## Exhibit 4. Performance Chart



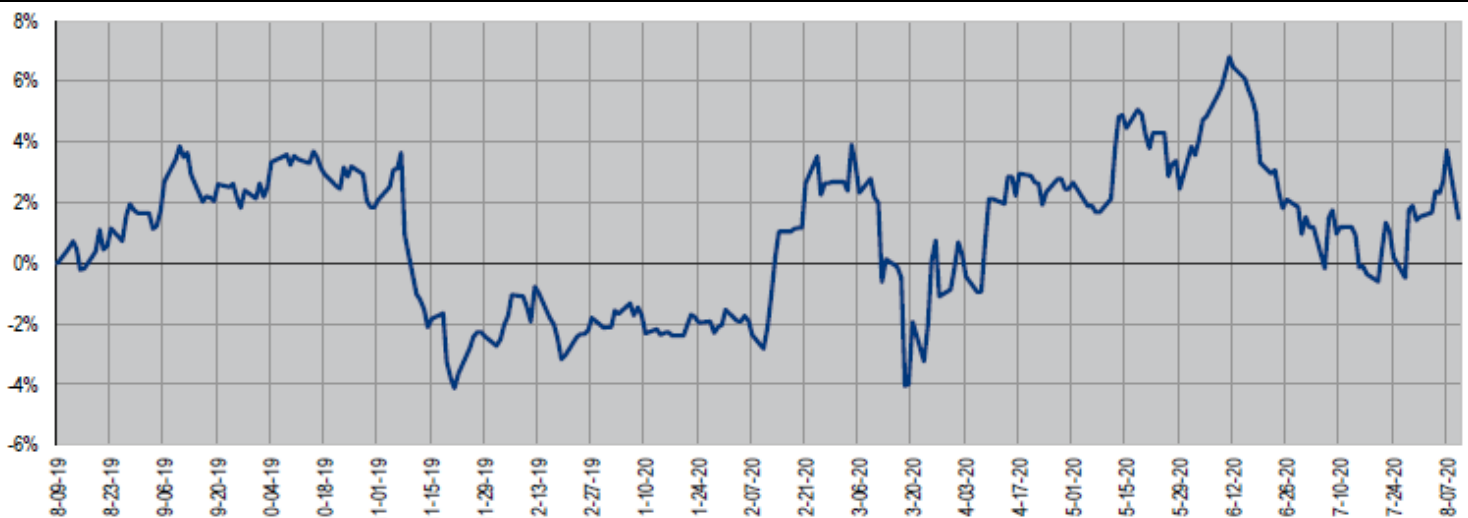
Source: Bloomberg

August 11, 2020

## Investment thesis

Prior to the pandemic, DUK stock had been facing near-term rate case uncertainty in NC/IN and legal uncertainty over ACP. To mitigate sales risk, DUK committed to incremental O&M cuts. The two rate cases in its largest state (NC) are particularly important for coal ash recovery and minimizing regulatory lag. DUK has settled most key issues with intervenors except for coal ash. Recent history is mixed, as NC regulators issued a reasonable order on coal ash (allowing a return of and on) in the last round of DUK rate cases in 2018, but an order earlier this year on Dominion's coal ash did not allow a return on. If that were to apply to DUK, that would be about \$0.08 headwind in 2021. Still, DUK's objective is to grow 4-6% off roughly \$5.15 in 2021. DUK stock gave back much of its recent gains after the 2Q20 call (see Exhibit 5). The stock currently trades at a 2.2x discount to utility peers (Exhibit 6). We see it trading at around a 1-2x discount until it resolves credit focus on coal ash and gets better NC capex/recovery visibility. DUK's 4.5% dividend yield is among the top five for the utility group and about 100bp higher than the group average, limiting further downside from current valuations.

**Exhibit 5: DUK Relative Performance vs. Regulated Utilities**



Source: Wolfe Utilities & Power Research, FactSet

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## Regulated comps table

Exhibit 6: Regulated comps

Company Name	Ticker	Current Price	Current Shares	Mkt Cap (\$M)	P/E				Div Yield	Div Growth (E)	Payout Ratio	Price/Book	Equity Ratio
					2020E	2021E	2022E	2023E					
Alliant Energy	LNT	\$55.35	250	\$13,810	22.9x	21.5x	20.4x	19.4x	2.7%	7.0%	63%	2.5x	46%
Ameren	AEE	83.25	247	20,554	23.9x	22.1x	20.8x	19.6x	2.5%	5.0%	60%	2.5x	44%
American Electric	AEP	85.94	496	42,640	20.2x	18.5x	17.4x	16.5x	3.3%	4.5%	66%	2.1x	38%
Avangrid	AGR	49.11	309	15,175	21.7x	19.7x	18.2x	N/A	3.6%	0.0%	78%	1.0x	65%
CMS Energy	CMS	63.04	286	18,047	23.7x	22.2x	20.6x	19.2x	2.6%	6.5%	61%	3.5x	26%
Con Edison	ED	75.38	334	25,214	17.7x	16.5x	15.8x	15.2x	4.1%	3.5%	72%	1.4x	43%
Dominion	D	80.12	840	67,312	23.1x	20.8x	19.6x	18.4x	3.1%	6.0%	65%	2.5x	42%
Duke Energy	DUK	84.76	735	62,286	17.0x	16.5x	15.7x	14.8x	4.5%	2.0%	77%	1.4x	41%
Edison International	ED	54.25	378	20,518	12.1x	11.8x	11.1x	10.4x	4.6%	0.2%	55%	1.4x	40%
Entergy	ETR	105.70	200	21,162	18.9x	17.8x	16.8x	16.0x	3.6%	2.2%	68%	2.1x	33%
Eversource Energy	ES	88.55	343	30,332	24.3x	22.6x	21.2x	20.0x	2.6%	6.1%	62%	2.3x	46%
FirstEnergy	FE	30.06	542	16,285	12.1x	11.4x	10.9x	10.3x	5.2%	6.0%	63%	2.4x	24%
Fortis*	FTS	54.13	465	25,149	20.8x	19.0x	17.9x	16.9x	3.6%	6.0%	74%	1.4x	44%
NISource	NI	24.81	383	9,503	19.1x	18.7x	17.1x	16.3x	3.4%	6.0%	65%	1.9x	40%
PG&E	PCG	9.13	1,941	17,726	5.7x	9.1x	8.1x	7.5x	0.0%	N/A	0%	1.4x	8%
Pinnacle West	PNW	82.58	113	9,295	16.9x	16.4x	15.8x	14.9x	3.8%	6.0%	65%	1.7x	45%
Portland General	POR	42.90	90	3,840	17.9x	16.5x	15.6x	15.1x	3.6%	1.5%	64%	1.5x	46%
PPL Corp.	PPL	28.65	769	22,025	12.2x	11.7x	10.7x	N/A	5.8%	0.6%	71%	1.7x	35%
Southern Company	SO	55.07	1,056	58,161	17.4x	16.7x	15.4x	14.2x	4.6%	3.2%	81%	2.1x	36%
WEC Energy Group	WEC	93.73	315	29,566	25.0x	23.5x	22.0x	20.6x	2.7%	7.2%	68%	2.8x	45%
Xcel Energy	XEL	72.45	525	38,061	26.1x	24.5x	23.2x	21.9x	2.4%	6.2%	62%	2.8x	37%
Average					18.9x	17.9x	16.8x	16.1x	3.5%	4.4%	64%	2.0x	39%
Average (ex EIX, PCG, PPL)					20.4x	19.0x	17.9x	16.9x	3.5%	4.8%	68%	2.1x	41%

Source: Wolfe Research



August 11, 2020

## DISCLOSURE SECTION

### Analyst Certification:

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### Important Disclosures:

Price Chart(s) with Ratings and Target Price History



Note: OP = Outperform; PP = Peer Perform; UP = Underperform

### Wolfe Research, LLC Fundamental Valuation Methodology:

<u>Company:</u>	<u>Fundamental Valuation Methodology:</u>
DUK US Equity	P/E

### Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

<u>Company:</u>	<u>Risks That May Impede Achievement of the Recommendation, Rating or Target Price:</u>
DUK US Equity	Economy, changes to capex and regulatory outcomes

### Wolfe Research, LLC Research Disclosures:

<u>Company:</u>	<u>Research Disclosures:</u>
DUK US Equity	None

### Other Disclosures:

### Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
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Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
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**Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of August 7, 2020):**

Outperform:	48%	2% Investment Banking Clients
Peer Perform:	40%	1% Investment Banking Clients
Underperform:	12%	0% Investment Banking Clients

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# EVERCORE ISI

## Energy | Power & Utilities

August 10, 2020

### Duke Energy Corp.

DUK | \$86.61

In Line | **TARGET PRICE: \$89.00 (from \$87.00)**

### Earnings Report

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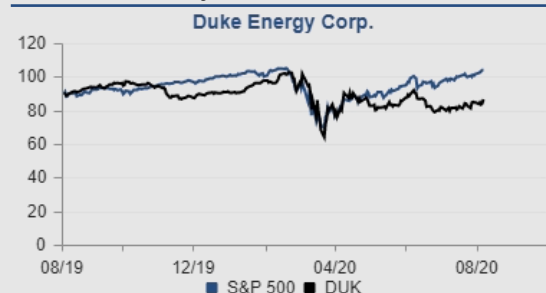
#### Company Statistics

Market Capitalization (M)	\$63,646
Shares Outstanding (M)	735
Dividend	3.82
Dividend Yield	4.4%
Payout Ratio	74.2%
Expected Total Return	7.2%
Fiscal Year End	Dec

#### Earnings Summary

	2020E	2021E	2022E
EPS	\$5.15	\$5.15	\$5.40
P/E	16.8	16.8	16.0
EPS vs Consensus	1.7%	(2.3)%	(2.7)%
Consensus EPS	\$5.06	\$5.28	\$5.55
Consensus P/E	17.1	16.4	15.6

#### 1 Year Price History



Source: FactSet

## Coal Ash Recovery in Focus as DUK Rebases Outlook

**DUK reported better-than-expected 2Q results.** The company posted 2Q20 operating EPS of \$1.08, above consensus of \$1.03 and our estimate of \$0.98. Earnings decreased \$0.04 YoY due to mild weather, lower volumes from commercial & industrial customers and higher depreciation at the electric utilities. DUK has achieved ~40% of its full-year cost mitigation goal of \$350-450mm. The company now expects to deliver the lower half of 2020 EPS guidance of \$5.05-5.45, vs. the low end previously, given cost control, favorable weather and better-than-expected weather-normalized load trends in July. DUK continues to anticipate a range of \$0.25-0.35 EPS impact from 3-5% lower retail sales this year, with possible upside based on favorable residential trends. The company issued 2021 EPS guidance considerations that point to \$5.15 given the cancellation of ACP; this is 6% lower than it would have been if the project moved forward. Duke maintained its five-year \$56Bn capital program by replacing ~\$2.15Bn of ACP capex with incremental grid investments, gas LDC capex and additional Florida solar investments which are assumed to be ratable over the forecast period. DUK now expects to deliver 4-6% EPS growth forecast off of 2021 EPS, with potential to achieve the high end of the range, versus its prior expectation for 4-6% growth off the midpoint of 2019 guidance of \$5.00. Duke still expects AMT credits and cost control to support FFO/Debt of 15% this year. Lastly, the company scheduled its ESG Analyst Day for October 9<sup>th</sup>. While the stock is trading at a 15% discount, there are downside risks to our longer-term forecast such as the recovery of coal ash costs in NC, and the subsequent potential need for incremental equity. Duke has said no return on coal ash would be greater than 100 bp hit to FFO to debt. With this in mind, we reaffirm our In Line rating.

**We are updating our 2020-2022 EPS estimates.** We are raising our 2020 EPS estimate by \$0.10 to \$5.15 to match the lower half of guidance. We are lowering our 2021 EPS estimate by \$0.05 to \$5.15 to be consistent with the considerations laid out by the company. We are also reducing our 2022 EPS forecast by \$0.10 to \$5.40 as assume 5% EPS growth over 2021, in line with the midpoint of DUK's long-term 4-6% growth rate off of 2021. Our new 2020-2022 EPS forecast is now \$5.15 / \$5.15 / \$5.40 vs. \$5.05 / \$5.20 / \$5.50 previously.

**We are raising our price target to \$89 from \$87/share.** For the electric utilities, we now apply a 17.5x P/E multiple (versus 17.0x previously) to 2022 EPS, which is in line with our peer anchor multiple derived using our dividend discount model. For the gas utilities, we now apply a 17.0x multiple (vs. 17.5x previously), as we mark to market with comparable LDCs. We apply a discounted 15.8x multiple for the Commercial Power segment, as we risk adjust for what we believe is low earnings quality given that it includes one-time gains for how DUK is structuring tax equity financing. We then adjust for parent drag. Our \$89 price target is 17.3x our 2022 EPS estimate.

## Covid-19 Exposure

**Sales:** DUK still expects retail electric sales to decline 3-5% in 2020 (with potential upside based on positive Q2 results) led by a 6-9% drop in commercial demand and a 7-10% decline in industrial demand, offset by a 2-4% increase in residential demand. In the second quarter, total retail sales declined 6% (better than the 9% expectation), with commercial sales down 13% and industrial sales down 15%, partially offset by residential sales up 5%. Duke continues to expect to offset the sales impacts this year with \$350mm to \$450mm cuts to O&M.

July weather-normal total retail volumes compared to 2019 down 1.5%, favorable to the COVID-impacted forecast. Residential volumes were up ~6.5% compared to 2019.

**Liquidity:** DUK had \$8.7Bn of liquidity as of June 30<sup>th</sup> versus the \$8.2Bn it had as of April 30<sup>th</sup>. Current liquidity includes \$244mm of available cash, \$5.4Bn available under credit facilities, \$2.5Bn associated with the equity forward that can be settled at any time and just under \$100m associated with the ATM forward.

**Pension:** DUK's pension was ~100% funded as of July 2020.

## Second quarter review

**DUK reported 2Q20 operating EPS of \$1.08, beating consensus of \$1.03 and declining \$0.04 YoY from the prior year period.** Commercial Renewables (+\$0.01) experienced growth from new projects placed in-service and Gas Utilities and Infrastructure saw higher results (+\$0.01) from the Piedmont North Carolina rate case and lower O&M. This favorability was offset by lower results at Electric Utilities and Infrastructure (-\$0.08) driven by mild weather, lower volumes from commercial and industrial customers and higher depreciation on a growing asset base. DUK achieved over \$170 million of cost mitigation towards the full year goal of \$350 million to \$450 million, increased demand from higher-margin residential customers, and contributions from base rate increases in South Carolina and Florida. Results at Other (+\$0.03) were also favorable, primarily due to lower income tax expense. Share dilution was (-\$0.01).

## Valuation – Raising Price Target to \$89 from \$87/share

**We are raising our price target to \$89 from \$87.** For the electric utilities, we now apply a 17.5x P/E multiple (vs. 17.0x previously) to 2022 EPS, which is in line with our peer anchor multiple derived using our dividend discount model. For the gas utilities, we now apply a 17.0x multiple (vs. 17.5x previously), as we mark to market with comparable LDCs. We apply a discounted 15.8x multiple for the Commercial Power segment, as we risk adjust for what we believe is low earnings quality given that it includes one-time gains for how DUK is structuring tax equity financing. We then use a 50/50 method for parent drag, where we average the multiple applied to EPS drag with parent debt per share. Our \$89/share price target is 17.3x our 2022 EPS estimate of \$5.40/share.

### Exhibit 1: Duke Energy SOTP Valuation

	22 Multiple	2019E	2020E	2021E	2022E	Valuation
PGN_Carolinas	17.5x	\$1.12	\$1.09	\$1.15	\$1.17	\$20.52
PGN_Florida	17.5x	\$0.91	\$1.02	\$1.01	\$1.06	\$18.60
DUK_Ohio	17.5x	\$0.24	\$0.28	\$0.28	\$0.29	\$5.00
DUK_Carolinas	17.5x	\$1.95	\$2.04	\$2.06	\$2.20	\$38.46
DUK_Indiana	17.5x	\$0.60	\$0.57	\$0.59	\$0.61	\$10.71
Electric Utilities Infrastructure		\$4.83	\$4.99	\$5.08	\$5.32	\$93.30
Commercial Power	15.8x	\$0.27	\$0.34	\$0.32	\$0.33	\$5.15
Gas Utilities and Infrastructure	17.0x	\$0.59	\$0.57	\$0.52	\$0.57	\$9.65
<b>Less: Parent Expense</b>	<b>16.6x</b>	<b>(\$0.63)</b>	<b>(\$0.75)</b>	<b>(\$0.77)</b>	<b>(\$0.82)</b>	<b>(\$6.78)</b>
<b>Consolidated EPS</b>		<b>\$5.06</b>	<b>\$5.15</b>	<b>\$5.15</b>	<b>\$5.40</b>	
<b>Less: Parent Net Debt</b>					<b>(\$19,217)</b>	<b>(\$12.36)</b>
<b>Total Value Per Share</b>	<b>17.3x</b>					<b>\$88.96</b>

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Source: Eversource ISI

## Regulatory Update

**Duke reached a partial settlement agreement in North Carolina rate cases.** DEC, DEP and the Public Staff agreed to an ROE of 9.6% and an equity ratio of 52%; deferral treatment for approximately \$1.3 billion of grid improvement projects; the inclusion of plant in service and other updates totaling ~\$70 million of annual revenue requirement combined for DEC and DEP through May 31, 2020; and a flow back period of five years for unprotected federal Excess Deferred Income Taxes, among other terms. The stipulations do not include an agreement on the recovery of coal ash basin capex or the amount of annual depreciation expense. The hearings on the general rate cases are scheduled to begin on August 24, 2020. These settlements are subject to approval by the NCUC. Note that current rates in North Carolina for both DEC and DEP are based on a 9.9% ROE and 52% equity ratio. Earlier this year, Dominion received a 9.75% ROE and 52% equity ratio in North Carolina (in a settled case).

**Duke received an order in the Indiana electric rate case.** On June 29th, DUK Indiana was granted a 9.7% ROE and 53% equity ratio (excluding ADIT) on a rate base of \$10.2 billion with a December 2020 test year. The company had requested a 10.4% ROE and the same 53% equity ratio (excluding ADIT) on a rate base of \$10.2 billion. DUK's existing rates from an order 16 years ago are based on a 10.5% ROE and again 53% equity ratio excluding ADIT. The ROE decision in this rate case is consistent with the 9.7% received by AEP's Indiana jurisdiction in March 2020 and also the 9.75% granted by NiSource's Indiana electric jurisdiction in December 2019. The equity ratio granted for DUK matched their request and existing structure, as mentioned. We expect Indiana to contribute roughly 11% of DUK consolidated EPS this year.

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**VALUATION METHODOLOGY**

OUR TARGET PRICE IS BASED ON A SUM-OF-THE-PARTS ANALYSIS WHICH APPLIES A 17.5X P/E TO THE ELECTRIC UTILITIES AND A 17.0X P/E MULTIPLE TO THE GAS UTILITIES. WE VALUE THE COMMERCIAL RENEWABLES BUSINESS AT 15.8X, REPRESENTING A 10% DISCOUNT TO OUR REGULATED UTILITY TARGET MULTIPLE GIVEN THAT EARNINGS FROM THIS BUSINESS ARE NOT GROWING AND DRIVEN ENTIRELY BY TAX CREDITS. FINALLY WE SUBTRACT \$19/SH FOR DUK'S PARENT LEVEL DRAG.

**RISKS**

RISK TO OUR TP INCLUDE NEGATIVE REGULATORY OUTCOMES, LOWER-THAN-EXPECTED ELECTRIC SALES, AND HIGHER INTEREST RATES.

**COMPANIES UNDER COVERAGE BY AUTHOR**

Symbol	Company	Rating	Price (2020-10-08)	Evercore ISI Target
AEE	Ameren Corp.	Outperform	\$82.18	\$84.00
AEP	American Electric Power	Outperform	\$86.60	\$95.00
AES	The AES Corporation	Outperform	\$17.16	\$20.00
AGR	Avangrid Inc	In Line	\$49.25	\$46.00
AWK	American Water Works Company, Inc.	Outperform	\$149.79	\$129.00
AWR	American States Water Company	Underperform	\$79.87	\$60.00
CMS	CMS Energy Corp.	In Line	\$62.88	\$63.00
CNP	CenterPoint Energy, Inc.	In Line	\$20.41	\$18.00
CWEN	Clearway Energy	In Line	\$26.88	\$22.00
CWT	California Water Service Group	In Line	\$48.82	\$40.00
D	Dominion Energy, Inc	In Line	\$80.62	\$77.00
DTE	DTE Energy Co.	In Line	\$118.86	\$120.00
DUK	Duke Energy Corp.	In Line	\$86.61	\$89.00
ED	Consolidated Edison Inc.	In Line	\$75.11	\$85.00
EIX	Edison International	In Line	\$54.61	\$72.00
ES	Eversource Energy	In Line	\$89.02	\$91.00
ETR	Entergy Corp.	In Line	\$104.67	\$106.00
EVRG	Evergy	Outperform	\$55.16	\$69.00
EXC	Exelon Corp.	Outperform	\$38.93	\$45.00
FCFE18-MX	CFE Capital S. de R.L. de C.V.	Outperform	MXN25.32	MXN19.00
FE	FirstEnergy Corp.	In Line	\$29.44	\$41.00
HE	Hawaiian Electric Industries Inc.	Underperform	\$36.22	\$36.00
NEE	NextEra Energy Inc	In Line	\$287.78	\$277.00
NI	NiSource Inc	Outperform	\$24.75	\$26.00
NRG	NRG Energy Inc.	Outperform	\$34.28	\$40.00
OGE	OGE Energy Corp	Outperform	\$33.28	\$35.00
PCG	PG&E Corp.	Rating Suspended	\$9.10	
PEG	Public Service Enterprise Group	In Line	\$55.65	\$53.00
PNM	PNM Resources, Inc	In Line	\$44.32	\$44.00
PNW	Pinnacle West Capital Corp.	In Line	\$82.16	\$85.00
PPL	PPL Corp.	In Line	\$27.14	\$31.00
SJW	SJW Group	In Line	\$70.04	\$60.00
SO	Southern Co.	In Line	\$54.69	\$59.00
SRE	Sempra Energy	Outperform	\$129.90	\$138.00
VST	Vistra Energy Corp	Outperform	\$18.90	\$27.00
WEC	WEC Energy Group, Inc.	In Line	\$94.37	\$93.00
WTRG	Essential Utilities Inc.	In Line	\$47.27	\$42.00
XEL	Xcel Energy Inc.	In Line	\$72.34	\$65.00

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**TIMESTAMP****(Article 3(1)e and Article 7 of MAR)**

Time of dissemination: August 10 2020 05:07 PM ET

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**Outperform-** the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe

**In Line-** the total forecasted return is expected to be in line with the expected total return of the analyst's universe

**Underperform-** the total forecasted return is expected to be less than the expected total return of the analyst's universe

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**Sell** -the total forecasted return is expected to be less than 0%

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Strong Buy- Return > 20%

Buy- Return 10% to 20%

Neutral - Return 0% to 10%

Cautious- Return -10% to 0%

Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

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Underweight -the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.

Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

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Stocks included in the model portfolio will be weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal 100%.

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Coverage Universe			Investment Banking Services   Past 12 Months		
Ratings	Count	Pct.	Ratings	Count	Pct.
Buy	383	50	Buy	112	29
Hold	302	39	Hold	49	16
Sell	45	6	Sell	4	9
Coverage Suspended	21	3	Coverage Suspended	6	29
Rating Suspended	15	2	Rating Suspended	3	20

#### Issuer-Specific Disclosures (as of August 10, 2020)



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**Price Charts****Duke Energy Corp. Rating History as of 08/10/2020****Ratings Key**

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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August 10, 2020

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DOCKET NO. E-2, SUB 1219

DOCKET NO. E-2, SUB 1193

I hereby certify that a copy of the foregoing **DUKE ENERGY PROGRESS, LLC'S MOTION FOR LEAVE TO DESIGNATE LATE-FILED POTENTIAL REDIRECT EXHIBITS** was served electronically or by depositing a copy in United States Mail, first class postage prepaid, properly addressed to the parties of record.

This the 1<sup>st</sup> day of October 2020.

*/s/ Kiran H. Mehta*

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