



## NORTH CAROLINA

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OFFICE OF THE TREASURER

JANET COWELL, TREASURER

April 30, 2014

*By Facsimile and U.S. Mail*

Philip Sharp  
Chair, Regulatory Policy and Operations Committee of the Board of Directors  
Duke Energy Corporation  
P.O. Box 1321  
Charlotte, N.C. 28201  
Facsimile: (704) 382-7705

Dear Mr. Sharp:

State Treasurer Janet Cowell serves as the investment fiduciary for the North Carolina Retirement Systems, our State's pension plans for state and local government employees. Our pension plans have held stock in Duke Energy and its predecessors for many years, and we continue to be a long-term investor holding more than thirty million dollars of Duke Energy stock.

The February 2014 coal ash spill from Duke Energy's Eden plant into the Dan River affected not only the lives of our State citizens who are downstream, but also the performance of the Retirement Systems' investment in Duke Energy. In the Treasurer's view, to maximize shareholder value, the Duke Energy board must change to respond to the coal ash spill. Therefore, at this week's Duke Energy annual meeting, we will cast our vote against the re-election of your fellow Regulatory Policy and Operations Committee member, Carlos Saladrigas. We also urge that your board conduct an independent investigation of the corporate decisions that led to the Dan River spill.

We cast our vote against the re-election of Mr. Saladrigas for two reasons.

First, like any major event, the coal ash spill reflects not only on the performance of the company's management, but also its board. Mr. Saladrigas is the only member of the board's Regulatory Policy and Operations Committee who is up for re-election and who had more than a few weeks of service on that committee before the coal ash spill.

Second, because of the spill, Duke Energy needs board members who can provide specific expertise in the coal industry and, even more important, in environmental remediation. After you and William Barnet retire in the next few days, the Regulatory Policy and Operations Committee will have at least two vacancies – perhaps three vacancies if a sufficient number of shareholders vote against the re-election of Mr. Saladrigas. We urge that Duke Energy appoint a replacement board member who has specific experience with environmental cleanup management. Although the cleanup cost of the Dan River spill has been only approximately \$15 million to date, that number is likely to increase many times over. Given Duke's substantial past and ongoing coal operations, it also seems wise to have a board member who can provide internal expertise about the details of the coal industry. Board members with environmental remediation and coal industry experience could help other board members understand environmental consultants' complex terminology and make informed decisions about the closure of Duke Energy's other legacy coal ash ponds.

More broadly, we urge the Duke Energy board of directors to commission an independent firm to investigate the circumstances and decisions that played a role in the Dan River spill. Although Duke Energy is being evaluated today by various federal and state governmental bodies, none of those organizations will be focused on ways to improve corporate governance or management practices. Independent internal investigations have unique aspects that can help teach companies how to better run their business.

In sum, we join the call of many other institutional investors and corporate governance organizations for thoughtful change on the Duke Energy board.

Sincerely,



Blake Thomas  
Assistant General Counsel  
N.C. Department of State Treasurer  
325 North Salisbury Street  
Raleigh, North Carolina 27603-1385  
Telephone: (919) 508-1037  
E-mail: [blake.thomas@nctreasurer.com](mailto:blake.thomas@nctreasurer.com)