



What works & what doesn't?

American Bar Association
*Infrastructure, the Environment and
Dispute Resolution in the Americas*

C. Norwood Davis
Managing Director
Corporate Environment, Health & Safety

Duke Energy Overview



**Began as
Catawba
Power in 1899**

Originally provided electricity to textile mills in the Carolinas

Pipeline business dates back to 1929

Duke Energy formed in 1997
Duke Power / PanEnergy merger



**One of
World's Top
Energy Co's**

Duke Energy manages a dynamic portfolio of natural gas & electric supply, delivery, and trading businesses

Global shift in operations began in the 1990s



**Leading
Market
Positions**

Top 10 U.S. Generator
#1 U.S. NGLs Producer

#2 U.S. Power Marketer

#3 U.S. Gas Marketer

Revenues of \$49 billion

\$33 billion in assets



**Tradition of
Environmental
Excellence**

One of first utilities to launch an environmental program

First corporation to receive National Wildlife Federation award for overall program

Jocassee Gorges Conservation

A Rapidly Growing Company Seizing Opportunities in a Changing Industry Environment

Our Global Strategy

Develop and actively manage a multi-national portfolio of strategic energy assets



***Growth
Through
Knowledge
and
Execution***

Deliver energy solutions to large wholesale customers and aggregators in major markets

Manage and trade energy positions and risks

Latin America Portfolio



- Consumption growth for both gas and power is in excess of 5% annually
- Power generation facilities
 - 4,167 MW in operation
 - 146 MW under construction
 - Greenfield development
- └ Trading & marketing and development offices
 - Buenos Aires
 - Sao Paulo
 - Lima
 - San Salvador

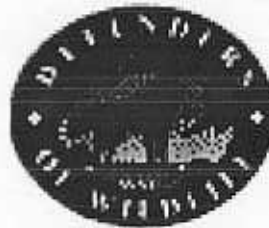
The Project - Chalillo

- ❑ 9MW Upstream of Existing Mojellon Dam
- ❑ \$30MM Capital Investment
- ❑ Regulate River Flow - Enhance Mojellon
- ❑ Strong Government & Business Partner Support
- ❑ Strong NGO Opposition
- ❑ Dynamic Geopolitical Context

Conservation NGO's



BACONGO



THE
BELIZE ZOO



Duke Energy

Belize Strategy

Engage with BACONGO & International NGO's to develop trust and basis to explore potential common ground.

Propose alternatives to government and partners to explore options.

Explore concerns of conservationists & commit to full EIA.

Respond to inquiries and media reports.

Internal Dynamics

Mojellon part of larger acquisition of assets from Dominion.

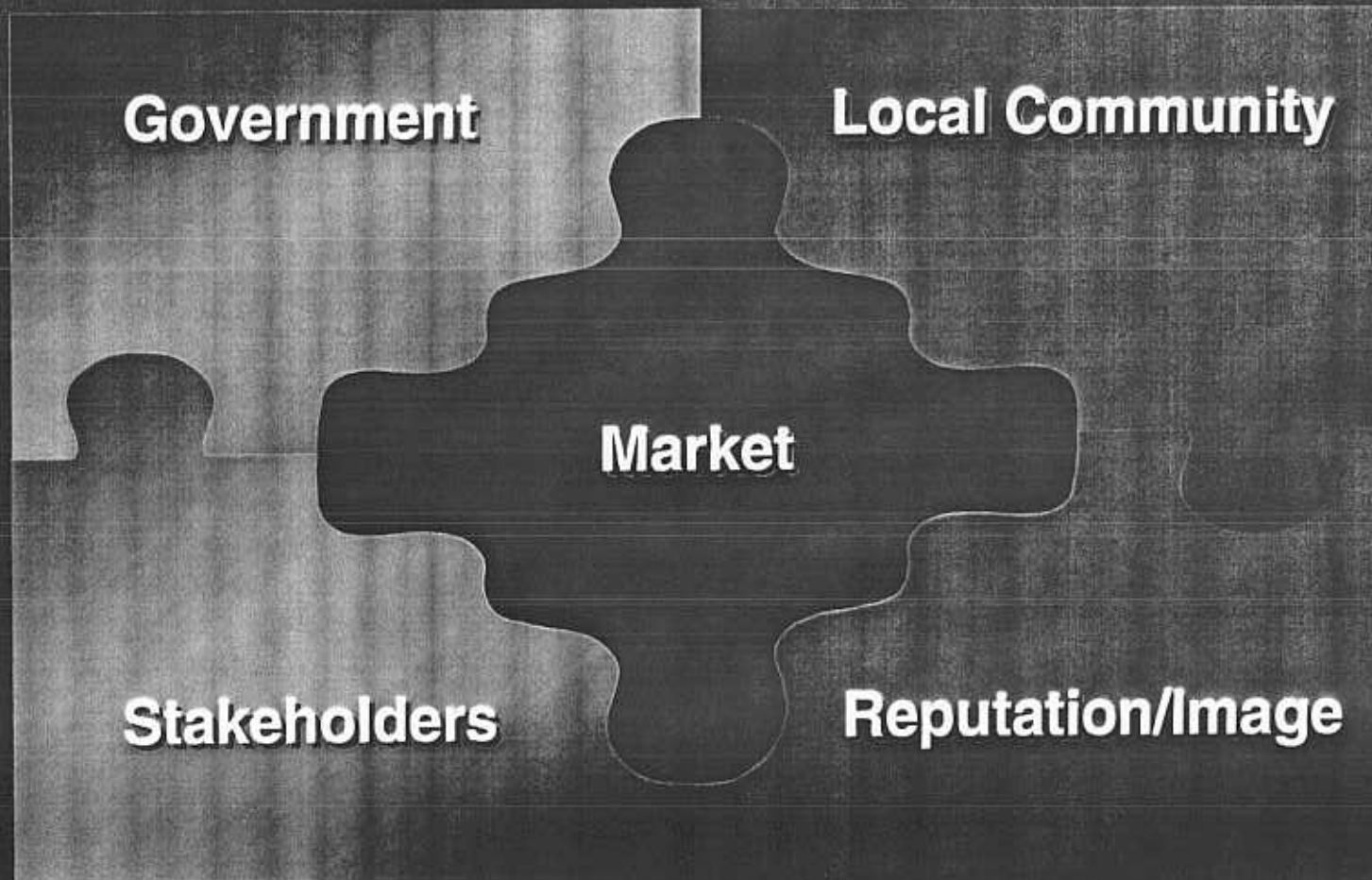
Country dynamics and lack of grid infrastructure limited strategic opportunity in Belize.

20K emails, letters & faxes to CEO.

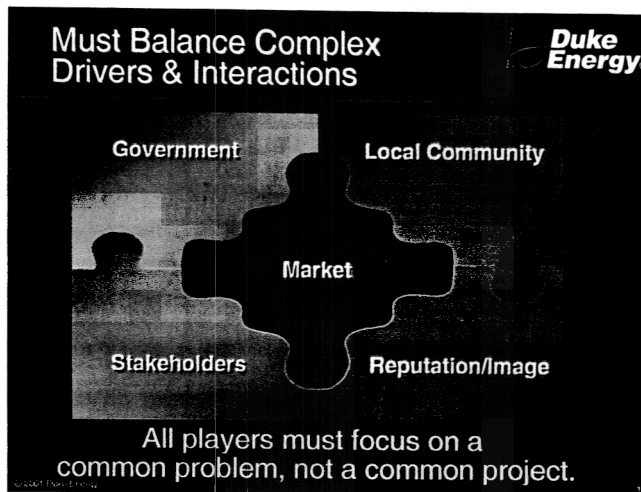
Timeframe threatened.

Core opportunities in other markets.

Must Balance Complex Drivers & Interactions



All players must focus on a
common problem, not a common project.



MARKET DRIVERS

- * Speed to market - limited window of opportunity to bring a project to market due to competitive project announcements, weather, etc.
- * Competitive Proposals - Degree of vulnerability to better positioned projects . . . relates to speed to market. It's not always the best solution, it's often the first.
- * Incumbent Capital @ Risk - Is there a related capital asset that needs to be protected?
- * Expectations of Future Opportunity in the Market & for the Project.
- * Opportunity Cost of Capital - what other internal project opportunities are competing for the firm's capital resources? What is expected payoff in both cases?
- * Existing customer relationships, dynamics & expectations.
- * Above factors are multiplied if there is a commercial partner in the project, which often there is for international development.

GOVERNMENT DRIVERS

- * Regulatory Requirements - or the lack thereof.
- * Economic/Social/Political Needs & Expectations - these may be more fragmented in reality than I have represented here.
- * Existing Commercial Obligations, associated Legal Liabilities, and state of Judicial infrastructure.

COMMUNITY DRIVERS

- * Ambient condition of environment and socio-economic infrastructure. Relationship/balance between the two.
- * Local aspirations for environmental protection and socio-economic improvement.
- * Legacy issues of environmental degradation and/or social injustice.

STAKEHOLDER DRIVERS

- * Political relationships between local NGO's, governments, and international NGO's.
- * Presence and penetration of international NGO's into the project/community.

REPUTATION/IMAGE DRIVERS

- * Degree of importance the firm places on reputation/brand image. Is there parity among the commercial partners, customers involved in the project?
- * Amount of "credibility assets" within the community, country, and with stakeholders interested in the project that can be leveraged to advance the project.