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July 2, 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 Second Supplemental Direct Testimony and Exhibits of Kim H. Smith and Second Supplemental Direct Testimony of Michael J. Pirro
Docket No. E-2, Sub 1219**

Dear Ms. Campbell:

Enclosed for filing are Duke Energy Progress, LLC's ("DE Progress" or the "Company") Second Supplemental Direct Testimony and Exhibits of Kim H. Smith and Second Supplemental Direct Testimony of Michael J. Pirro.

As permitted by North Carolina General Statute § 62-133(c) and due to the unavoidable delay in the evidentiary hearing in the above-captioned dockets as a result of the unprecedented COVID-19 pandemic, DE Progress is updating its proposed revenue requirement to incorporate known and measurable changes through May 31, 2020.

North Carolina General Statute § 62-133(c) in relevant part provides that:

...the Commission shall consider such relevant, material and competent evidence as may be offered by any party to the proceeding tending to show actual changes in costs, revenues or the cost of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within this State, including its construction work in progress, which is based upon circumstances and events occurring up to the time the hearing is closed.

On March 13, 2020, the Company filed supplemental direct testimony and exhibits to reflect known changes to test period rate base, operating revenue, operating expense and operating income through February 29, 2020, in advance of the evidentiary hearing

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originally scheduled to begin May 4, 2020. Due to extraordinary circumstances resulting from the COVID-19 pandemic, the evidentiary hearing has been postponed for nearly three months and is now rescheduled for July 27, 2020. The Company's cost of service and projected revenues have changed substantially since the respective capital cut-off dates in the first quarter. As such, the Company is seeking to update its cost of service and projected revenues with actuals through May 2020 to provide a more recent and accurate picture of the Company's respective financial situations. As Company witness Smith explains in her testimony, these updates are limited, and are based on actual revenue, expense, and rate base amounts as of May 31, 2020.

It is appropriate to provide this update in light of the unforeseen delay in the hearing, and corresponding delay in the Commission's order establishing new rates, caused by extraordinary circumstances relating to the COVID-19 pandemic. Updating the Company's costs closer in time to the start of the hearing gives a more recent and accurate depiction of the Company's actual costs to serve its customers, which should be reflected in the rates approved in this proceeding.

Pursuant to Commission Rule R1-28(e)(1) and the Commission's request, the Company plans to deliver 25 paper copies of the entire filing to the Commission on or before July 7, 2020. In addition, the Company will provide native files of the testimony and exhibits with formulas intact on the DataSite platform.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Camal O. Robinson', with a stylized, cursive script.

Camal O. Robinson

Enclosures

cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1219

In the Matter of:

Application of Duke Energy Progress, LLC)	SECOND SUPPLEMENTAL
for Adjustments of Rates and Charges)	DIRECT TESTIMONY OF
Applicable to Electric Service in North)	KIM H. SMITH FOR DUKE
Carolina)	ENERGY PROGRESS, LLC

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT**
2 **POSITION.**

3 A. My name is Kim H. Smith and my business address is 550 South Tryon Street,
4 Charlotte, North Carolina. I am a Director of Rates & Regulatory Planning,
5 employed by Duke Energy Carolinas, LLC (“DE Carolinas”), testifying on
6 behalf of Duke Energy Progress, LLC (“DE Progress” or the “Company”).

7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

8 A. Yes. I filed direct testimony and exhibits on October 30, 2019. I also filed
9 supplemental direct testimony and exhibits on March 13, 2020, rebuttal
10 testimony and exhibits on May 4, 2020, and settlement testimony and exhibits
11 on June 2, 2020.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. The purpose of my testimony is to update the Company’s proposed revenue
14 increase. An update is necessary to incorporate certain known and measurable
15 changes through May 31, 2020. The specific items updated are identified later
16 in my testimony.

17 **II. UPDATES TO THE COMPANY’S TEST PERIOD OPERATING**
18 **REVENUES, EXPENSES, AND RATE BASE**

19 **Q. WHAT ADJUSTMENTS TO REVENUE REQUIREMENTS ARE**
20 **PROPOSED BY THE COMPANY?**

21 A. The Company is updating its proposed revenue requirements to incorporate
22 certain known and measurable changes to its revenues, expenses and rate base

1 amounts previously filed in this Docket. These updates are limited, and are
2 based on actual revenue, expense, and rate base amounts as of May 31, 2020.
3 The updates are necessary and appropriate to provide the Company a reasonable
4 opportunity to earn the return on equity approved by the Commission in this
5 proceeding. Due to the extraordinary circumstances of the COVID-19
6 pandemic, the hearing and corresponding Commission order establishing rates
7 in this case have been unavoidably delayed, and the Company voluntarily
8 waived its right to implement its original proposed rates after the 270 days
9 suspension period. Consequently, updating the Company's costs closer in time
10 to the start of the hearing gives a more recent depiction of the Company's actual
11 costs to serve its customers, which should be reflected in the Company's rates.

12 **Q. WHAT OTHER ADJUSTMENTS ARE BEING PROPOSED AS A**
13 **RESULT OF THE UPDATES DISCUSSED ABOVE?**

14 A. Since the Company is updating its post-test year capital additions to reflect
15 completed electric plant in service as of May 31, 2020, it is appropriate to also
16 update the timing of the Company's requested deferral period for Grid
17 Improvement Plan ("GIP") costs. The Company is requesting deferral of
18 investments not included in this rate case. Now with the inclusion of plant in
19 service through May 31, 2020, the Company's requested deferral of incremental
20 GIP costs would start with plant placed in service beginning June 1, 2020 and
21 continuing through December 31, 2022.

1 **Q. WHAT ADDITIONAL INFORMATION IS BEING SUBMITTED IN**
2 **THIS FILING?**

3 A. DE Progress is also providing information which reflects the impact of the
4 following settlement agreements it has entered into with intervenors (the
5 “Intervenor Settlements”):

- 6 • Settlement Agreement with Harris Teeter, LLC filed June 8, 2020;
- 7 • Settlement Agreement with the Commercial Group filed June 9, 2020; and
- 8 • Agreement and Stipulation of Settlement with Carolina Industrial Group for
9 Fair Utility Rates III filed June 26, 2020.

10 Commission approval of these agreements would result in revenue
11 requirements based on 9.75% return on equity (“ROE”) and a capital structure
12 of 52% common equity and 48% long-term debt.

13 As described later in my testimony, the Company is submitting additional
14 exhibits in this filing demonstrating the reduction to its proposed revenue
15 increase (now based on post-test period updates through May 31, 2020)
16 resulting from the ROE and capital structure agreed to in the Intervenor
17 Settlements.

18 **Q. WHICH “PRO FORMA” ADJUSTMENTS TO TEST PERIOD**
19 **AMOUNTS ARE BEING UPDATED IN THIS FILING?**

20 The following table shows the particular items revised in this filing in bold text.

ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES				
Line No.	Adjustment Title	Witness	May 2020 Update	ROE or Cap Str Change
1	Annualize retail revenues for current rates	Pirro		

ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES				
Line No.	Adjustment Title	Witness	May 2020 Update	ROE or Cap Str Change
2	Update fuel costs to proposed rate	McGee		
3	Normalize for weather	Pirro		
4	Annualize revenues for customer growth	Pirro	X	
5	Eliminate unbilled revenues	Smith		
6	Adjust for costs recovered through non-fuel riders	Smith		
7	Adjust O&M for executive compensation	Smith		
8	Annualize depreciation on year end plant balances	Smith		
9	Annualize property taxes on year end plant balances	Smith		
10	Adjust for post-test year additions to plant in service	Smith	X	
11	Amortize deferred environmental costs	Smith		
12	Annualize O&M non-labor expenses	Smith	X	
13	Normalize O&M labor expenses	Smith	X	
14	Update benefits costs	Smith		
15	Levelize nuclear refueling outage costs	Smith		
16	Amortize rate case costs	Smith		
17	Adjust aviation expenses	Smith		
18	Adjust for approved regulatory assets and liabilities	Smith		
19	Adjust for merger related costs	Smith	X	
20	Amortize severance costs	Smith		
21	Adjust for NC income tax rate change	Smith		
22	Synchronize interest expense with end of period rate base	Smith	X	X
23	Adjust cash working capital for present revenue annualized and proposed revenue	Smith	X	X
24	Adjust coal inventory	Smith		
25	Adjust credit card fees	Smith		
26	Adjust for new depreciation rates	Smith		
27	Adjust vegetation management expenses	Smith		
28	Adjust reserve for end of life nuclear costs	Smith		
29	Update deferred balance and amortize storm costs	Smith	X	
30	Adjust other revenue	Pirro		
31	Adjust for change in NCUC regulatory fee	Smith		

ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES				
Line No.	Adjustment Title	Witness	May 2020 Update	ROE or Cap Str Change
32	Reflect retirement of Ashville Steam Generating Plant	Smith		
33	Adjust for CertainTeed payment obligation	Smith		
34	Amortize deferred balance Asheville Combined Cycle	Smith		
35	Adjust purchased power	Smith		
36	Correct Lead-Lag - Supplemental	Smith		
37	Amortize Protected EDIT – Partial Settlement	Smith		
38	Remove certain Settlement Items – Partial Settlement	Smith		
39	Normalize for storm costs – Partial Settlement	Smith		

1 **Q. DO THE PROPOSED ADJUSTMENTS IMPACT THE AGREEMENT**
2 **AND STIPULATION OF PARTIAL SETTLEMENT BETWEEN THE**
3 **COMPANY AND THE PUBLIC STAFF FILED ON JUNE 2, 2020**
4 **(“PARTIAL SETTLEMENT”)?**

5 A. No. In the Partial Settlement, the Company and the Public Staff agreed to
6 certain adjustments to the revenue requirement in the Company’s rebuttal filing
7 on May 4, 2020. The updates through May proposed in this filing are new and
8 were not included in the Company’s prior supplemental filing and therefore,
9 were not part of the Partial Settlement with the Public Staff. However, to the
10 extent a calculation methodology for a pro forma adjustment was agreed to in
11 the Partial Settlement, the same methodology has been applied to the May
12 updates.

1 **Q. DO YOU HAVE ANY EXHIBITS TO YOUR SECOND SUPPLEMENTAL**
2 **DIRECT TESTIMONY?**

3 A. Yes. I am providing the following exhibits:

- 4 • Smith Second Supplemental Exhibit 1 presents the impact of additional
5 adjustments to test period operating income and rate base that the Company
6 is supporting based on post-test period updates through May 31, 2020. Page
7 1 of the Exhibit summarizes the adjustments and the details for each
8 adjustment presented on the subsequent pages.
- 9 • Smith Second Supplemental Exhibit 1-S takes Smith Second Supplemental
10 Exhibit 1 and layers in the additional impacts of the Intervenor Settlements
11 – i.e., the 9.75% ROE and 52/48 capital structure.
- 12 • Smith Second Supplemental Exhibit 2 summarizes the proposed total
13 revenue adjustments in this proceeding, reflecting both the proposed
14 increase in base rates and the net reduction in revenues reflected in the two
15 proposed EDIT riders and the Regulatory Asset and Liability rider.
- 16 • Smith Second Supplemental Exhibit 2-S takes Smith Second Supplemental
17 Exhibit 2 and layers in the additional impacts of the Intervenor Settlements
18 – i.e., the 9.75% ROE and 52/48 capital structure.
- 19 • Smith Second Supplemental Exhibit 3 is a reconciliation of adjustments to
20 base revenue requirement. The reconciliation begins with the \$412.8
21 million base revenue requirement proposed by the Company in my
22 Settlement testimony filed June 2, 2020.¹ Specific impacts related to May

¹ This amount incorporates impacts of the Agreement and Stipulation of Partial Settlement between DE Progress and the Public Staff filed on June 2, 2020.

2020 updates are itemized and summarized to show the resulting base revenue requirement of \$438.2 million after May updates.

- Smith Second Supplemental Exhibit 3-S takes Smith Second Supplemental Exhibit 3 and layers in the additional impacts of the Intervenor Settlements – i.e., the 9.75% ROE and 52/48 capital structure to show the resulting base revenue requirement of \$389.4 million.
- Smith Second Supplemental Exhibit 4-S is an updated EDIT rider which incorporates the impacts of the Intervenor Settlements on the return component of the rider.

III. CONCLUSION

Q. DO YOUR SECOND SUPPLEMENTAL EXHIBITS REFLECT A CHANGE IN THE REVENUE REQUIREMENT SOUGHT BY THE COMPANY IN THIS PROCEEDING?

A. Yes. If the Commission approves the Intervenor Settlements, the Company requests a revenue increase from base rates of \$389.4 million. In addition, the Company requests that customer rates be reduced by a net \$79.8 million through its two proposed EDIT riders and Regulatory Asset and Liability rider. As shown on Smith Second Supplemental Exhibit 2-S, the net proposed increase in revenue is \$309.6 million. This is a \$154.0 million reduction from the net amount proposed in the Company's Application.

If the Commission does not approve the Intervenor Settlements, the Company requests a revenue increase from base rates of \$438.2 million. In addition, the Company requests that customer rates be reduced by a net \$80.1

1 million through its two proposed EDIT riders and Regulatory Asset and
2 Liability rider. As shown on Smith Second Supplemental Exhibit 2, the net
3 proposed increase in revenue is \$358.1 million. This is a \$105.5 million
4 reduction from the net amount proposed in the Company's Application.

5 **Q. DOES THIS CONCLUDE YOUR SECOND SUPPLEMENTAL DIRECT**
6 **TESTIMONY?**

7 A. Yes.

DUKE ENERGY PROGRESS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 5,682,421	\$ 3,657,503	\$ (304,779)	\$ 3,352,725	\$ 438,211	\$ 3,790,936
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,429,144	881,642	(34,636)	847,006		847,006
3	Purchased power	390,677	158,763	(1,965)	156,798		156,798
4	Other operation and maintenance expense	1,546,719	1,050,819	(187,341)	863,478	1,618	865,096
5	Depreciation and amortization	1,060,260	669,787	247,926	917,713		917,713
6	General taxes	153,362	102,197	2,381	104,578		104,578
7	Interest on customer deposits	8,643 (b)	7,971	-	7,971		7,971
8	EDIT Amortization	-	-	(30,548)	(30,548)	-	(30,548)
9	Net income taxes	150,622	112,986	(49,917)	63,069	100,907	163,976
10	Amortization of investment tax credit	(3,356)	(2,134)	(1,481)	(3,614)		(3,614)
11	Total electric operating expenses	4,736,071	2,982,032	(55,580)	2,926,452	102,525	3,028,976
12	Operating income	\$ 946,351	\$ 675,472	\$ (249,198)	\$ 426,273	\$ 335,686	\$ 761,960
13	Original cost rate base	\$ 14,580,739	\$ 9,859,050	\$ 396,705 (d)	\$ 10,255,755	\$ 55,637 (f)	\$ 10,311,392
14	Rate of return on North Carolina retail rate base		6.85%		4.16%		7.39%

-- Some totals may not foot or compute due to rounding.

- Notes: (a) From Form E-1, Item 45a
(b) Reclassifies interest on customer deposits to electric operating expense
(c) From Page 3, Line 36
(d) From Page 4, Line 9
(e) From Page 2
(f) From Page 4d, Line 1. Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY PROGRESS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 8,108,191	47.00%	\$ 4,820,205	4.11%	\$ 197,987	\$ 4,846,354	4.11%	\$ 199,061
2	Members' equity	(a) 8,717,931	53.00%	5,435,550	4.20%	228,287	5,465,038	10.30%	562,899
3	Total	<u>\$ 16,826,122</u>	<u>100.00%</u>	<u>\$ 10,255,755</u> (b)		<u>\$ 426,273</u> (c)	<u>\$ 10,311,392</u> (b)		761,960
4	Operating income before increase (Line 3, Column 5)								<u>426,273</u>
5	Additional operating income required (Line 3 minus Line 4)								335,686
6	Calculate income tax on Incremental interest expense due to increase in cash working capital in proposed revenue								(249)
7	Regulatory fee (.1297%), Uncollectibles Rate (.2394%), and income taxes (23.1693%)								<u>102,774</u>
8	Additional revenue requirement								<u>\$ 438,211</u>
9	Revenue Adjustments (d)								<u>\$ (80,096)</u>
10	Net Increase								<u>\$ 358,116</u>

-- Some totals may not foot or compute due to rounding.

Notes: (a) Th equivalent of common equity for a limited liability company
(b) From Page 1, Line 12, Columns 4 and 6
(c) From Page 1, Line 11, Column 4
(d) From Smith Exhibit 2, Line 5

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT Amortization (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
1	Annualize retail revenues for current rates	(225,760)	-	-	(833)	-	-	-	(52,114)	-	(172,813)
1(D)	Annualize retail revenues for current rates- Supplemental	24,093	-	-	89	-	-	-	5,562	-	18,443
2	Update fuel costs to proposed rate	-	(12,574)	-	-	(1,684)	-	-	3,304	-	10,955
2(F)	Update fuel costs to proposed rate- Rebuttal	-	24,010	-	-	1,684	-	-	(5,953)	-	(19,741)
3	* Normalize for weather	(77,392)	(18,180)	-	(286)	-	-	-	(13,653)	-	(45,273)
11(E)	Normalize for weather- Supplemental	4,882	(2,252)	-	18	-	-	-	1,649	-	5,467
4	* Annualize revenues for customer growth	5,182	2,857	-	19	-	-	-	534	-	1,771
4(I)	Annualize revenues for customer growth- Second Supplemental	(15,625)	(9,976)	-	(58)	-	-	-	(1,296)	-	(4,296)
5	Eliminate unbilled revenues	11,826	-	-	-	-	-	-	2,740	-	9,086
6	Adjust for costs recovered through non-fuel riders	(27,830)	(18,522)	-	(136,112)	(58,446)	(6,458)	-	63,161	-	128,547
6(C)	Adjust for costs recovered through non-fuel riders- Supplemental	-	-	-	(31)	-	-	-	7	-	24
7	Adjust O&M for executive compensation	-	-	-	(2,399)	-	-	-	556	-	1,843
7(G)	Adjust O&M for executive compensation- Partial Settlement	-	-	-	(161)	-	-	-	37	-	124
8	Annualize depreciation on year end plant balances	-	-	-	-	42,068	-	-	(9,747)	(1,481)	(30,841)
8(D)	Annualize depreciation on year end plant balances- Supplemental	-	-	-	-	(661)	-	-	153	-	508
9	Annualize property taxes on year end plant balances	-	-	-	-	-	4,064	-	(942)	-	(3,122)
10	* Adjust for post test year additions to plant in service	-	-	-	-	70,469	6,600	-	(17,857)	-	(59,213)
10(I)	Adjust for post test year additions to plant in service- Second Supplemental	-	-	-	-	(2,200)	(850)	-	707	-	2,344
11	* Amortize deferred environmental costs	-	-	-	-	105,972	-	-	(24,553)	-	(81,419)
11(E)	Amortize deferred environmental costs- Supplemental	-	-	-	-	(9,949)	-	-	2,305	-	7,644
12	Annualize O&M non-labor expenses	-	-	-	1,311	-	-	-	(304)	-	(1,007)
12(I)	Annualize O&M non-labor expenses- Second Supplemental	-	-	-	1,034	-	-	-	(240)	-	(794)
13	* Normalize O&M labor expenses	-	-	-	(18,512)	-	(1,089)	-	4,542	-	15,060
13(I)	Normalize O&M labor expenses- Second Supplemental	-	-	-	(722)	-	181	-	126	-	416
14	Update benefits costs	-	-	-	(3,060)	-	-	-	709	-	2,351
14(D)	Update benefits costs- Supplemental	-	-	-	(3,298)	-	-	-	764	-	2,534
15	* Levelize nuclear refueling outage costs	-	-	-	(6,232)	-	-	-	1,444	-	4,788
15(E)	Levelize nuclear refueling outage costs- Supplemental	-	-	-	42	-	-	-	(10)	-	(32)
16	* Amortize rate case costs	-	-	-	701	-	-	-	(162)	-	(539)
16(G)	Amortize rate case costs- Partial Settlement	-	-	-	-	-	-	-	-	-	-
17	Adjust aviation expenses	-	-	-	(1,452)	-	(18)	-	341	-	1,129
17(G)	Adjust aviation expenses- Partial Settlement	-	-	-	(205)	-	-	-	47	-	157

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power and Net Interchange (Col. 3)	Wages Benefits Materials Etc. (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT Amortization (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,603	(3,479)	5	-	434	-	1,438
19	* Adjust for Merger Related Costs	-	-	-	(4,039)	(172)	(53)	-	988	-	3,276
19(I)	Adjust for Merger Related Costs	-	-	-	-	(12)	-	-	3	-	10
20	* Amortize Severance Costs	-	-	-	(23,366)	-	-	-	5,414	-	17,952
20(G)	Amortize Severance Costs- Partial Settlement	-	-	-	(774)	-	-	-	179	-	594
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	(2,183)	-	2,183
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	123	-	(123)
22(I)	Synchronize interest expense with end of period rate base- Second Supplemental	-	-	-	-	-	-	-	2,959	-	(2,959)
23	* Adjust cash working capital	-	-	-	-	-	-	-	122	-	(122)
23(I)	Adjust cash working capital- Second Supplemental	-	-	-	-	-	-	-	(35)	-	35
24	Adjust coal inventory	-	-	-	-	-	-	-	-	-	-
24(C)	Adjust coal inventory- Supplemental	-	-	-	-	-	-	-	-	-	-
25	* Adjust for credit card fees	-	-	-	5,197	-	-	-	(1,204)	-	(3,993)
25(F)	Adjust for credit card fees- Rebuttal	-	-	-	72	-	-	-	(17)	-	(55)
26	Adjust Depreciation for new rates	-	-	-	-	89,601	-	-	(20,760)	-	(68,841)
26(D)	Adjust Depreciation for new rates- Supplemental	-	-	-	-	(873)	-	-	202	-	671
27	Adjust vegetation management expenses	-	-	-	5,757	-	-	-	(1,334)	-	(4,424)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(91)	-	-	21	-	70
28(G)	Adjust reserve for end of life nuclear costs- Partial Settlement	-	-	-	-	(1,826)	-	-	423	-	1,403
29	* Update deferred balance and amortize storm costs	-	-	-	-	43,717	-	-	(10,129)	-	(33,588)
29(I)	Update deferred balance and amortize storm costs- Second Supplemental	-	-	-	-	(45,362)	-	-	10,510	-	34,852
30	Adjust other revenue	(4,155)	-	-	(5)	-	-	-	(962)	-	(3,188)
31	Adjust for change in NCUC Reg Fee	-	-	-	(234)	-	-	-	54	-	180
32	* Reflect retirement of Asheville Steam Generating Plant	-	-	-	(6,413)	(181)	(1,032)	-	1,767	-	5,859
32(F)	Reflect retirement of Asheville Steam Generating Plant- Rebuttal	-	-	-	-	10,381	1,032	-	(2,644)	-	(8,769)
33	Adjust for CertainTeed payment obligation	-	-	-	4,939	-	-	-	(1,144)	-	(3,794)
33(A)	Adjust for CertainTeed payment obligation- Supplemental	-	-	-	(4,939)	-	-	-	1,144	-	3,794
34	* Amortize deferred balance Asheville Combined Cycle	-	-	-	6,109	13,594	-	-	(4,565)	-	(15,138)
34(G)	Amortize deferred balance Asheville Combined Cycle- Partial Settlement	-	-	-	(7,568)	(4,624)	-	-	2,825	-	9,367

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power and Net Interchange (Col. 3)	Wages Benefits Materials Etc. (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT 0.0000% (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
35	Adjust Purchased Power	-	-	(1,965)	-	-	-	-	455	-	1,510
36(E)	Correct Lead Lag- Supplemental	-	-	-	-	-	-	-	-	-	-
37(G)	Amortize Prot EDIT- Partial Settlement	-	-	-	-	-	-	(30,548)	7,078	-	23,470
38(G)	Remove certain Settlement Items- Partial Settlement	-	-	-	(2,834)	-	-	-	657	-	2,177
39(G)	Normalize for storm costs- Partial Settlement	-	-	-	9,300	-	-	-	(2,155)	-	(7,145)
40	Total adjustments - Original Filing	<u>\$ (318,129)</u>	<u>\$ (46,419)</u>	<u>\$ (1,965)</u>	<u>\$ (177,306)</u>	<u>\$ 301,368</u>	<u>\$ 2,018</u>	<u>\$ -</u>	<u>\$ (74,904)</u>	<u>\$ (1,481)</u>	<u>\$ (319,441)</u>
40(I)	Change from Application	<u>13,351</u>	<u>11,782</u>	<u>-</u>	<u>(10,035)</u>	<u>(53,443)</u>	<u>363</u>	<u>(30,548)</u>	<u>24,987</u>	<u>-</u>	<u>70,243</u>
41	Total adjustments	<u><u>\$ (304,779)</u></u>	<u><u>\$ (34,636)</u></u>	<u><u>\$ (1,965)</u></u>	<u><u>\$ (187,341)</u></u>	<u><u>\$ 247,926</u></u>	<u><u>\$ 2,381</u></u>	<u><u>\$ (30,548)</u></u>	<u><u>\$ (49,917)</u></u>	<u><u>\$ (1,481)</u></u>	<u><u>\$ (249,198)</u></u>

-- Some totals may not foot or compute due to rounding.

Notes: * Identification required by NCUC Rule R1-17(b)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	225,760	-	225,760
1(D)	Annualize retail revenues for current rates- Supplemental	-	-	-	-	-	-	-	-	(24,093)	-	(24,093)
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	(14,311)	-	(14,311)
2(F)	Update fuel costs to proposed rate- Rebuttal	-	-	-	-	-	-	-	-	25,789	-	25,789
3	* Normalize for weather	-	-	-	-	-	-	-	-	59,144	-	59,144
11(E)	Normalize for weather- Supplemental	-	-	-	-	-	-	-	-	(7,142)	-	(7,142)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	(2,314)	-	(2,314)
4(I)	Annualize revenues for customer growth- Second Supplemental	-	-	-	-	-	-	-	-	5,613	-	5,613
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	(11,869)	-	(11,869)
6	Adjust for costs recovered through non-fuel riders	(978,325)	158,734	(157,453)	(150,987)	90,146	-	-	(1,037,885)	(167,932)	(94,010)	(261,943)
6(C)	Adjust for costs recovered through non-fuel riders- Supplemental	-	-	-	-	-	-	-	-	(31)	230	199
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	(2,408)	-	(2,408)
7(G)	Adjust O&M for executive compensation- Partial Settlement	-	-	-	-	-	-	-	-	(162)	-	(162)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	40,290	-	40,290
8(D)	Annualize depreciation on year end plant balances- Supplemental	-	-	-	-	-	-	-	-	(663)	-	(663)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	4,079	-	4,079
10	* Adjust for post test year additions to plant in service	1,845,936	(383,473)	-	(1,458)	(31,249)	-	(102,930)	1,326,826	77,355	120,182	197,537
10(I)	Adjust for post test year additions to plant in service- Second Supplemental	(187,320)	195,347	-	20,220	(25,761)	-	-	2,486	(3,062)	(69)	(3,131)
11	* Amortize deferred environmental costs	-	-	-	423,886	(98,212)	-	-	325,675	106,364	29,499	135,863
11(E)	Amortize deferred environmental costs- Supplemental	-	-	-	(39,795)	9,220	-	-	(30,575)	(9,986)	(2,835)	(12,820)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	1,316	-	1,316
12(I)	Annualize O&M non-labor expenses- Second Supplemental	-	-	-	-	-	-	-	-	1,038	-	1,038
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	(19,674)	-	(19,674)
13(I)	Normalize O&M labor expenses- Second Supplemental	-	-	-	-	-	-	-	-	(544)	-	(544)
14	Update benefits costs	-	-	-	-	-	-	-	-	(3,071)	-	(3,071)
14(D)	Update benefits costs- Supplemental	-	-	-	-	-	-	-	-	(3,310)	-	(3,310)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	(6,255)	-	(6,255)
15(E)	Levelize nuclear refueling outage costs- Supplemental	-	-	-	-	-	-	-	-	42	-	42
16	* Amortize rate case costs	-	-	-	2,670	(619)	-	-	2,051	704	186	889
16(G)	Amortize rate case costs- Partial Settlement	-	-	-	(2,670)	619	-	-	(2,051)	-	(186)	(186)
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	(1,475)	-	(1,475)
17(G)	Adjust aviation expenses- Partial Settlement	-	-	-	-	-	-	-	-	(206)	-	(206)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(83,851)	19,428	-	-	(64,423)	(1,878)	(5,821)	(7,699)
19	* Adjust for Merger Related Costs	-	347	-	-	-	-	-	347	(4,280)	31	(4,248)
19(I)	Adjust for Merger Related Costs	(558)	55	-	-	-	-	-	(504)	(12)	(46)	(58)
20	* Amortize Severance Costs	-	-	-	23,297	(5,398)	-	-	17,899	(23,453)	1,621	(21,832)
20(G)	Amortize Severance Costs- Partial Settlement	-	-	-	(23,297)	5,398	-	-	(17,899)	(777)	(1,621)	(2,398)
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	(2,851)	-	(2,851)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	160	-	160
22(I)	Synchronize interest expense with end of period rate base- Second Supplemental	-	-	-	-	-	-	-	-	3,865	-	3,865
23	* Adjust cash working capital	-	-	-	(27,013)	-	-	-	(27,013)	160	(2,447)	(2,287)
23(I)	Adjust cash working capital- Second Supplemental	-	-	-	7,582	-	-	-	7,582	(46)	691	645
24	Adjust coal inventory	-	-	9,641	-	-	-	-	9,641	-	873	873
24(C)	Adjust coal inventory- Supplemental	-	-	(21,244)	-	-	-	-	(21,244)	-	(1,922)	(1,922)
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	5,217	-	5,217
25(F)	Adjust for credit card fees- Rebuttal	-	-	-	-	-	-	-	-	72	-	72
26	Adjust Depreciation for new rates	-	(88,728)	-	-	-	-	-	(88,728)	89,933	(8,037)	81,896
26(D)	Adjust Depreciation for new rates- Supplemental	-	-	-	-	-	-	-	-	(876)	20	(857)
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	5,779	-	5,779
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	(91)	-	(91)
28(G)	Adjust reserve for end of life nuclear costs- Partial Settlement	-	-	-	-	-	-	-	-	(1,833)	-	(1,833)
29	* Update deferred balance and amortize storm costs	-	-	-	612,045	(141,807)	-	-	470,238	43,879	42,594	86,473
29(I)	Update deferred balance and amortize storm costs- Second Supplemental	(68,639)	2,231	-	(612,045)	141,807	-	-	(536,647)	(45,530)	(48,594)	(94,125)
30	Adjust other revenue	-	-	-	-	-	-	-	-	4,165	-	4,165
31	Adjust for change in NCUC Reg Fee	-	-	-	-	-	-	-	-	(235)	-	(235)
32	* Reflect retirement of Asheville Steam Generating Plant	(287,052)	210,671	(7,002)	65,929	(15,275)	-	-	(32,730)	(7,654)	(2,965)	(10,619)
32(F)	Reflect retirement of Asheville Steam Generating Plant- Rebuttal	287,052	(210,671)	(73)	(1,339)	310	-	-	75,279	11,456	6,809	18,265
33	Adjust for CertainTeed payment obligation	-	-	-	-	-	-	-	-	4,957	-	4,957
33(A)	Adjust for CertainTeed payment obligation- Supplemental	-	-	-	-	-	-	-	-	(4,957)	-	(4,957)
34	* Amortize deferred balance Asheville Combined Cycle	-	-	3,735	27,188	(6,299)	-	-	24,624	19,776	2,230	22,006
34(G)	Amortize deferred balance Asheville Combined Cycle- Partial Settlement	-	-	(248)	(27,188)	6,299	-	-	(21,136)	(12,237)	(1,915)	(14,152)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
35	Adjust Purchased Power	-	-	-	-	-	-	-	-	(1,972)	-	(1,972)
36(E)	Correct Lead Lag- Supplemental	-	-	-	(8,580)	-	-	-	(8,580)	-	(775)	(775)
37(G)	Amortize Prot EDIT- Partial Settlement	-	-	-	30,548	(7,078)	-	-	23,470	(30,661)	2,121	(28,540)
38(G)	Remove certain Settlement Items- Partial Settlement	-	-	-	-	-	-	-	-	(2,844)	-	(2,844)
39(G)	Normalize for storm costs- Partial Settlement	-	-	-	-	-	-	-	-	9,334	-	9,334
40	Total adjustments - Original Filing	\$ 580,558	\$ (102,448)	\$ (151,079)	\$ 891,707	\$ (189,284)	\$ -	\$ (102,930)	\$ 926,524	\$ 417,313	\$ 83,718	\$ 501,031
40(I)	Change from Application	30,535	(13,039)	(21,565)	(656,564)	130,814	-	-	(529,819)	(91,764)	(47,873)	(139,637)
41	Total adjustments	<u>\$ 611,093</u>	<u>\$ (115,487)</u>	<u>\$ (172,644)</u>	<u>\$ 235,143</u>	<u>\$ (58,470)</u>	<u>\$ -</u>	<u>\$ (102,930)</u>	<u>\$ 396,705</u>	<u>\$ 325,549</u>	<u>\$ 35,845</u>	<u>\$ 361,394</u>

-- Some totals may not foot or compute due to rounding.

Notes: * Identification required by NCUC Rule R1-17(b)

DUKE ENERGY PROGRESS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 27,775,617	\$ 18,805,911	\$ 611,093	\$ 19,417,003
2	Less: Accumulated depreciation and amortization	4b	(11,648,793)	(8,042,060)	(115,487)	(8,157,546)
3	Net electric plant		16,126,825	10,763,851	495,606	11,259,457
4	Add: Materials and supplies	4c	1,076,701	754,774	(172,644)	582,130
5	Working capital investment	4d	(642,895)	(375,172)	235,143	(140,029)
6	Less: Accumulated deferred taxes		(2,000,064)	(1,332,628)	(58,470)	(1,391,098)
7	Operating reserves		(82,759)	(54,705)	-	(54,705)
8	Construction work in progress	3	102,930	102,930	(102,930)	(0)
9	Total		<u>\$ 14,580,739</u>	<u>\$ 9,859,050</u>	<u>\$ 396,705</u>	<u>\$ 10,255,755</u>

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 16,551,690	\$ 10,056,520	\$ (179,365)	\$ 9,877,155
2	Transmission Plant	2,746,389	1,643,263	264,402	1,907,665
3	Distribution Plant	6,944,764	6,052,263	433,108	6,485,371
4	General Plant	628,616	465,435	68,399	533,833
5	Intangible Plant	<u>527,370</u>	<u>358,178</u>	<u>51,912</u>	<u>410,090</u>
6	Subtotal	27,398,830	18,575,658	638,456	19,214,114
7	Nuclear Fuel (Net)	<u>376,788</u>	<u>230,252</u>	<u>(27,363)</u>	<u>202,889</u>
8	Total electric plant in service	<u>\$ 27,775,617</u>	<u>\$ 18,805,911</u>	<u>\$ 611,093</u>	<u>\$ 19,417,003</u>

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (7,107,080)	\$ (4,390,758)	\$ (50,423)	\$ (4,441,180)
2	Transmission Reserve	(816,198)	(488,611)	(27,693)	(516,304)
3	Distribution Reserve	(3,235,148)	(2,819,386)	26,382	(2,793,003)
4	General Reserve	(167,536)	(124,045)	(30,822)	(154,867)
5	Intangible Reserve	<u>(322,831)</u>	<u>(219,260)</u>	<u>(32,932)</u>	<u>(252,192)</u>
6	Total	<u>\$ (11,648,793)</u>	<u>\$ (8,042,060)</u>	<u>\$ (115,487)</u>	<u>\$ (8,157,546)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	0.00%			
9	Nuclear production plant	0.00%			
10	Hydro production plant	0.00%			
11	Other production plant	2.61%			
12	Transmission plant	5.18%			
13	Distribution plant	1.90%			
14	General plant	Various			
15	Intangible plant	20.00%			

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
MATERIALS AND SUPPLIES
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 87,298	\$ 53,347	\$ (18,678) (a)	\$ 34,669
2	Oil	113,740	69,506	-	69,506
3	Total fuel stock	201,037	122,853	(18,678)	104,174
4	Other electric materials and supplies and stores clearing	875,663	631,921	(153,966)	477,956
5	Total Materials and Supplies	<u>\$ 1,076,701</u>	<u>\$ 754,774</u>	<u>\$ (172,644)</u>	<u>\$ 582,130</u>

-- Some totals may not foot or compute due to rounding.

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 35 days at full load

DUKE ENERGY PROGRESS, LLC
WORKING CAPITAL INVESTMENT
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental

Line No.	Description	Total Company	North Carolina Retail Operations				Impact of Rev Incr	With Rev Incr
		Per Books	Per Books	Accounting Adjustments	As Adjusted			
		(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	
1	Investor advanced funds: Operating funds per lead-lag study	238,679 (a)	160,141 (a)	(28,011) (b)	132,130	55,637 (c)	187,768	
2	Unamortized Debt	47,722	32,019	-	32,019	-	32,019	
3	Regulatory Assets	(781,496)	(437,291)	263,154	(174,137)	-	(174,137)	
4	Other	(10,529)	(13,453)	-	(13,453)	-	(13,453)	
5	Total investor advanced funds	(505,624)	(258,584)	235,143	(23,441)	55,637	32,197	
6	Less: customer deposits	(137,271)	(116,588)	-	(116,588)	-	(116,588)	
7	Total working capital investment	\$ (642,895)	\$ (375,172)	\$ 235,143	\$ (140,029)	\$ 55,637	\$ (84,391)	

-- Some totals may not foot or compute due to rounding.

Notes: (a) From Angers Exhibit 2, Line 16 and Line 19
(b) Reflects a decrease in "operating funds per lead-lag study" for the adjusted total requirements in this rate case
(c) Reflects an increase in "operating funds per lead-lag study" for the impact of the revenue increase

Smith Exhibit 1
Second Supplemental

SUMMARY OF PROPOSED REVENUE ADJUSTMENTS

CHANGE IN OP INCOME

CHANGE IN RATE BASE

[1] Smith Exhibit 1, page 3, Column 9
[2] Smith Exhibit 1, page 3 (continued), Column 8-11
[3] Smith Exhibit 1, page 1, Line 11
[4] Smith Exhibit 1, page 1, Line 12

DUKE ENERGY PROGRESS, LLC
SUMMARY OF PROPOSED REVENUE ADJUSTMENTS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 2
Second Supplemental

Line No.	Description	NC RETAIL	Reference
1	Additional base revenue requirement	\$ 438,211	Smith Second Supplemental Exhibit 1
2	REVISED Annual EDIT Rider 1	7,381	Smith Exhibit 3
3	Annual EDIT Rider 2 - Year 1 giveback	(85,386)	Smith Second Supplemental Exhibit 4
4	Regulatory Asset and Liability Rider	<u>(2,091)</u>	Smith Exhibit 5
5	Subtotal	(80,096)	Sum L3 - L17
6	Net Revenue Increase	<u><u>\$ 358,116</u></u>	

DUKE ENERGY PROGRESS, LLC
Reconciliation of Revenue Requirement
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 3
Second Supplemental

Line No.	Item	Amount
1	Revenue requirement increase per Company application	585,961
2	Revenue impact of Company supplemental adjustments	(51,617)
3	Revenue impact of Company rebuttal adjustments	9,918
4	Revenue impact of Settlement adjustments	(131,457)
5	Revenue requirement increase per Company Partial Settlement Filing	<u>\$ 412,805</u>
6		
7	Updated Proformas:	
8	NC0400 Annualize revenues for customer growth	3,620
9	NC1000 Adjust for post test year additions to plant in service	18,762
10	NC1200 Annualize O&M non-labor expenses	(1,855)
11	NC1300 Normalize O&M labor expenses	4,746
12	NC1900 Adjust merger related costs	(7)
13	NC2200 Adjust synchronized interest expense	(813)
14	NC2300 Adjust cash working capital under present rates	(179)
15	NC2300 Adjust cash working capital under proposed rates	1,141
16	NC2900 Update deferred balance and amortize storm costs	(7)
17	Rounding	(1)
18	Total Revenue impact of adjustments	<u>\$ 25,406</u>
19		
20	Revenue Requirement per Smith Exhibit 1 Second Supplemental	<u><u>\$ 438,211</u></u>

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro forma annualizes revenue, fuel expense, operation and maintenance expense, and income taxes to reflect changes in the number of customers and usage per customer during the test period.

The impact to revenue was determined as follows:

To determine the additional revenue requirement resulting from customer growth, the monthly increase in number of customers was multiplied by the applicable average monthly kWh consumption per customer to derive the annualized change in kWh consumption based on the number of customers at the end of the test period.

The impact to fuel expense was determined by multiplying the 'Customer growth adjustment to KWH sales - NC kWh adjustment' by the most recent approved fuel rate (excluding EMF).

The impact to other operation and maintenance expense is determined by multiplying the impact to revenue by the statutory regulatory fee percentage rate and the uncollectibles rate.

The impact to income taxes was determined by multiplying taxable income by the statutory tax rate.

This adjustment updates revenues to reflect customer growth experienced beyond the test period, through July 2019. The underlying calculations reflect the same methods used in the Company's rebuttal testimony as explained by Company Witness Pirro in Docket E-2 Sub 1142.

October update

Updated NC-0403 for weather impacts in NC-300 and customer growth information through October 2019

November update

Updated NC-0403 for weather impacts in NC-300 and customer growth information through November 2019

December update

Updated NC-0403 for weather impacts in NC-300 and customer growth information through December 2019
NC-0404 was adjusted to calculate Residential ¢ / kWh excluding the Basic Customer Charge

January update

Updated NC-0403 for weather impacts in NC-300 and customer growth information through January 2020

February update

NC-0402 and NC-0403 now reflect separate adjustments for Customer Growth and Usage
Updated NC-0403 for weather impacts in NC-300 and customer growth information through February 2020
NC-0404 was adjusted to reflect the ¢ / kWh both with and excluding the Basic Customer Charge

Second Supplemental

Updated customer growth and usage kWh through May 2020

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0400
Second Supplemental

Line No.	Description	Source	Total NC Retail					
			Second Supplemental	April	February	Application	Change	
1								
2	Pro Formas Impacting Income Statement Line Items							
3								
4	Electric operating revenue	NC-0401	\$ (10,443)	\$ (12,275)	\$ (2,159)	\$ 5,182	(15,625)	
5								
6	Electric operating expenses:							
7	Operation and maintenance							
8	Fuel used in electric generation	NC-0401	(7,118)	(6,577)	(2,471)	2,857	(9,976)	
9	Purchased power		-	-	-	-	-	
10	Other operation and maintenance expense	NC-0401	(39)	(45)	(8)	19	(58)	
11	Depreciation and amortization		-	-	-	-	-	
12	General taxes		-	-	-	-	-	
13	Interest on customer deposits		-	-	-	-	-	
14	Income taxes	NC-0401	(761)	(1,309)	74	534	(1,296)	
15	Amortization of investment tax credit		-	-	-	-	-	
16								
17	Total electric operating expenses	Sum L8 through L15	(7,918)	(7,932)	(2,405)	3,411	(11,329)	
18								
19	Operating income	L4 - L17	\$ (2,525)	\$ (4,342)	\$ 246	\$ 1,771	\$ (4,296)	
20								
21	Notes:							
22	Revenue: positive number increases revenue / negative number decreases revenue							
23	Expense: positive number increases expense / negative number decreases expense							
24								
25								
26	Pro Formas Impacting Rate Base Line Items							
27								
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -	
29	Accumulated depreciation and amortization		-	-	-	-	-	
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-	
31								
32	Add:							
33	Materials and supplies		-	-	-	-	-	
34	Working capital investment		-	-	-	-	-	
35								
36								
37	Less:							
38	Accumulated deferred taxes		-	-	-	-	-	
39	Operating reserves		-	-	-	-	-	
40								
41								
42	Construction work in progress		-	-	-	-	-	
43								
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -	
45								
46	Note:							
47	Rate Base: positive number increases rate base / negative number decreases rate base							

Duke Energy Progress, LLC
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Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0401
Second Supplemental

Line No.	Description	Residential	Small General Service	Medium General Service	Large General Service	SI NCSI	Area Service Lighting	Sports Field Lighting Service NCSFL	Street Lighting Service NCSLS	Traffic Service Signal NCTSS	Total NC Retail
2	Customer growth and usage Revenue adjustment	\$ 25,674	\$ (7,252)	\$ (32,527)	\$ 3,830	\$ (994)	\$ -	\$ (16)	\$ 855	\$ (13)	\$ (10,443) [1]
4	Approved fuel and fuel related costs ¢/kWh (excluding EMF)	2.326	2.499	2.456	2.054	2.456	2.217	2.217	2.217	2.217	[2]
5	Customer growth and usage adjustment to kWh sales	210,975,729	(93,344,303)	(439,354,341)	62,259,064	(9,654,269)	-	(104,146)	2,772,245	(140,282)	(266,590,304) [1]
6	Impact to fuel (L4 x (L5 / 100,000))	\$ 4,907	\$ (2,333)	\$ (10,791)	\$ 1,279	\$ (237)	\$ -	\$ (2)	\$ 61	\$ (3)	\$ (7,118)
8	<u>Calculation of NCUC Regulatory Fee and Uncollectible</u>										
9	Uncollectible rate	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394 [3]
10	Statutory regulatory fee percentage rate	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297 [4]
11	Impact to O&M ((L9 + L10) x L2)	\$ 95	\$ (27)	\$ (120)	\$ 14	\$ (4)	\$ -	\$ (0)	\$ 3	\$ (0)	\$ (39)
13	Taxable income (L2 - L6 - L11)	\$ 20,672	\$ (4,893)	\$ (21,617)	\$ 2,537	\$ (753)	\$ -	\$ (14)	\$ 790	\$ (10)	\$ (3,286)
15	Statutory tax rate	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693% [5]
16	Impact to income taxes (L13 x L15)	\$ 4,790	\$ (1,134)	\$ (5,008)	\$ 588	\$ (174)	\$ -	\$ (3)	\$ 183	\$ (2)	\$ (761)
18	Impact to operating income (L13 - L16)	\$ 15,883	\$ (3,759)	\$ (16,608)	\$ 1,949	\$ (579)	\$ -	\$ (10)	\$ 607	\$ (7)	\$ (2,525)

[1] NC-0402 - Calculation of Customer Growth and Usage Revenue Adjustment

[2] NC-0202 - NC Billed Fuel Factors (with EMF and EMF Interest Increment/Decrement for approved cost factors), Line 8

[3] NC-0105 - 2018 Uncollectibles Rate, Line 4

[4] NC-0103 - NCUC Statutory Regulatory Fee Percentage Rate - Adjusted, Docket No. M-100, Sub 142, Line 3

[5] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0402a
Second Supplemental

Calculation of Customer Growth Adjustment

Line No.	Rate Schedule	NC Retail KWH Adjustment (a)	[1]	Cents Per kWh (b)	[2]	Revenue Adjustment (c) = ((a) x (b) / 100,000)
1	Residential	561,198,538		8.85	\$	49,654
2	Residential excl. TOU	550,471,121		8.85		48,721
3	Residential TOU	10,727,417		8.70		933
4						
5	Small General Service	39,079,080		10.83	\$	4,231
6	SGS excl. Constant Load Rate	37,664,616		10.81		4,073
7	SGS Constant Load Rate	1,414,464		11.20		158
8						
9	Medium General and Seasonal and Intermittent Service	105,085,689		7.66	\$	8,048
10	Medium General Service excl. Time of Use	44,209,854		8.73		3,860
11	Medium General Service Time of Use	58,616,356		6.72		3,941
12	Seasonal and Intermittent Service	2,259,479		10.95		247
13						
14	Large General Service	101,703,976		6.14	\$	6,247
15	Large General Service excl. Time of Use and Real Time Pricing	30,755,841		6.92		2,129
16	Large General Service Time of Use	42,289,282		6.29		2,662
17	Large General Service Real Time Pricing	28,658,852		5.08		1,456
18						
19	Sports Field Lighting Service	9,130		17.81		2
20	Street Lighting Service	2,772,245		30.84		855
21	Traffic Signal Service	(140,282)		9.15		(13)
22						
23	Total kWh Adjustment (L1 through L21)	<u>809,708,375</u>				
24						
25						
26	<u>NC Residential Change in number of customers</u>	<u># of Customers</u>	[3]	<u>BCC</u>	[4]	
27	Residential	489,051		\$ 14.00	\$	6,847
28	Residential TOU	9,530		\$ 16.85	\$	161
29						
30						<u>76,032</u>

[1] NC-0403 - Customer Growth Adjustment to KWH Sales, col (d)

[2] NC-0404 - Present Revenue Annualized and KWH Sales - NC Retail, c/kWh. Residential uses ¢ / kWh excluding BCC.

[3] Source Rate Design Regression Analysis

[4] Basic Customer Charge per Tariffs - Pirro Exhibit 1: RES-60 \$14.00, R-TOU-60 \$16.85, and R-TOUD-60 \$16.85

Duke Energy Progress, LLC
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Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0402b
Second Supplemental

Calculation of Customer Usage Revenue Adjustment

Line No.	Rate Schedule	NC Retail KWH Adjustment (a)	[1]	Cents Per kWh (b)	[2]	Revenue Adjustment (c) = ((a) x (b) / 100,000)
1	Residential	(350,222,809)		8.85	\$	(30,987)
2	Residential excl. TOU	(343,528,233)		8.85		(30,405)
3	Residential TOU	(6,694,576)		8.70		(582)
4						
5	Small General Service	(132,423,383)		8.67	\$	(11,483)
6	SGS excl. Constant Load Rate	(127,630,328)		8.76		(11,177)
7	SGS Constant Load Rate	(4,793,055)		6.39		(306)
8						
9	Medium General and Seasonal and Intermittent Service	(554,094,299)		7.50	\$	(41,570)
10	Medium General Service excl. Time of Use	(233,109,077)		8.53		(19,884)
11	Medium General Service Time of Use	(309,071,473)		6.61		(20,445)
12	Seasonal and Intermittent Service	(11,913,748)		10.42		(1,241)
13						
14	Large General Service	(39,444,912)		6.13	\$	(2,417)
15	Large General Service excl. Time of Use and Real Time Pricing	(11,928,358)		6.90		(823)
16	Large General Service Time of Use	(16,401,493)		6.28		(1,029)
17	Large General Service Real Time Pricing	(11,115,061)		5.08		(564)
18						
19	Sports Field Lighting Service	(113,276)		15.46		(18)
20	Street Lighting Service	-		30.84		-
21	Traffic Signal Service	-		9.15		-
22						
23	Total kWh Adjustment (L1 through L21)	<u>(1,076,298,679)</u>				<u>(86,475)</u>

[1] NC-0403 - Customer Growth Adjustment to KWH Sales, col (d)

[2] NC-0404 - Present Revenue Annualized and KWH Sales - NC Retail, c/kWh. Residential uses ¢ / kWh excluding BCC.

Customer Growth Adjustment to KWH Sales

Line No.	(a) Rate Schedule	(b) COS Category	(c) NC Proposed Customer Growth kWh Adjustment	(d) NC Proposed Change in Usage kWh Adjustment	(e) NC Proposed KWH Adjustment [1]		(f) Adj by COS Schedule	(f) Adj by COS Schedule	COS Schedules	(g) Service Bases 12/31/2018 C1ALL Allocator [2]	
1											
2	NC Residential	Residential	561,198,538	(350,222,809)	210,975,729	RES, RET	550,471,121	(343,528,233)	NCRES	NCRES	1,177,050
3							10,727,417	(6,694,576)	NCRET	NCRET	22,938
4	NC General:									NCSGS	160,062
5	General Service Small	Small General Service	39,079,080	(132,423,383)	(93,344,303)	SGS, SGSTCLR	37,664,616	(127,630,328)	NCSGS	NCSGSTCLR	6,011
6	General Service Medium	Medium General Service	105,085,689	(554,094,299)	(449,008,610)	MGS, SGS-TOU,SI	1,414,464	(4,793,055)	NCSGSTCLR	NCSGTM	22,077
7	Total General		144,164,769	(686,517,682)	(542,352,913)		58,616,356	(309,071,473)	NCSGTM	NCMGS	16,651
8							44,209,854	(233,109,077)	NCMGS	NCSI	851
9							2,259,479	(11,913,748)	NCSI	NCLGS	88
10	NC Lighting:									NCLGT	121
11	Street Lighting	Lighting	2,772,245	-	2,772,245	SLS/SLR	2,772,245	-	NCSLS	NCRTP	82
12	Sports Field Lighting	Lighting	9,130	(113,276)	(104,146)	SFLS	9,130	(113,276)	NCSFL	NCTSS	780
13	Traffic Signal Service	Lighting	(140,282)	-	(140,282)	TSS/TFS	(140,282)	-	NCTSS	NCALS	0
14	Total Street Lighting		2,641,093	(113,276)	2,527,817					NCSLS	1,578
15										NCSFL	78
16	NC Industrial:										1,408,367
17	I - Textile	Large General Service	-	-	-		30,755,841	(11,928,358)	NCLGS		
18	I - Nontextile	Large General Service	101,703,976	-	101,703,976	LGS incl. TOU & RTP	42,289,282	(16,401,493)	NCLGT		
19	I - Textile & Nontextile	Large General Service	-	(39,444,912)	(39,444,912)		28,658,852	(11,115,061)	NCRTP		
20	Total Industrial		101,703,976	(39,444,912)	62,259,064						
21											
22							809,708,375	(1,076,298,679)			
23	Total		809,708,375	(1,076,298,679)	(266,590,304)						

Notes:

[1] Information provided by Rate Design.

[2] Regression using number of service bases, and schedules in proposed adjustment per Rate Design

Duke Energy Progress, LLC
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Annualize revenues for customer growth
For the test period ended December 31, 2018

NC-0404
Second Supplemental

Present Revenue Annualized and KWH Sales - NC Retail

			NORTH CAROLINA RETAIL					
Line No.	COS Category	Description	Present Revenue Annualized [1]	Basic Customer Charge (BCC)	Present Revenue Excluding BCC	Per Book kWh Sales [2]	All-Inclusive \$ / kWh	w/o BCC
1								
2	Residential	RES - RESIDENTIAL SERVICE	\$ 1,627,945,892	\$ (197,751,086)	\$ 1,430,194,806	16,158,859,096	10.07	8.85
3		R-TOUD - RESIDENTIAL SERVICE TIME-OF-USE	37,486,504	(4,041,968)	33,444,536	451,040,840		
4		R-TOU - RESIDENTIAL SERVICE ALL-ENERGY TIME-OF-USE	5,576,511	(694,079)	4,882,432	56,146,653	9.93	8.70
5		Residential Sum	\$ 1,671,008,906	\$ (202,487,133)	\$ 1,468,521,774	16,666,046,589		
6	Small General Service	SGS - SMALL GENERAL SERVICE	210,976,543	(40,117,843)	170,858,700	1,950,982,004	10.81	8.76
7		SGS-TOU-CLR - SMALL GENERAL SERVICE TIME-OF-USE CONSTANT LOAD RATE	3,539,804	(1,520,432)	2,019,372	31,614,397	11.20	6.39
8		Small General Service Sum	\$ 214,516,347	\$ (41,638,275)	\$ 172,878,072	1,982,596,401		
9	Medium General Service	APH-TES - AGRICULTURAL POST-HARVEST SERVICE	133,640	(1,281)	132,359	2,065,800		
10		CH-TOUE - CHURCH SERVICE EXPERIMENTAL TIME-OF-USE	1,173,027	(95,984)	1,077,043	8,706,511		
11		CSE - CHURCH AND SCHOOL SERVICE	193,536	(14,938)	178,598	1,373,440		
12		CSG - CHURCH AND SCHOOL SERVICE	4,336	(342)	3,994	25,680		
13		MGS - MEDIUM GENERAL SERVICE	242,144,278	(5,603,638)	236,540,640	2,773,108,650	8.73	8.53
14		SGS-TES - SMALL GENERAL SERVICE THERMAL ENERGY STORAGE	1,345,435	(6,090)	1,339,345	21,819,600		
15		SGS-TOU - SMALL GENERAL SERVICE TIME-OF-USE	562,838,889	(9,050,665)	553,788,224	8,371,865,197	6.72	6.61
16		Medium General Service Sum	\$ 807,833,140	\$ (14,772,938)	\$ 793,060,202	11,178,964,878		
17	Large General Service	LGS - LARGE GENERAL SERVICE	79,000,414	(219,986)	78,780,428	1,141,204,433	6.92	6.90
18		LGS-RTP - LARGE GENERAL SERVICE (EXPERIMENTAL REALTIME PRICING)	-	-	-	9,861,252		
19		LGS-RTP-TOU - LARGE GENERAL SERVICE (EXPERIMENTAL REALTIME PRICING) TOU	290,057,172	(187,226)	289,869,945	5,708,044,202	5.08	5.08
20		LGS-TOU - LARGE GENERAL SERVICE TIME-OF-USE	100,616,525	(282,041)	100,334,484	1,598,681,135	6.29	6.28
21		Large General Service Sum	\$ 469,674,111	\$ (689,254)	\$ 468,984,857	8,457,791,022		
22	Other	ALS - AREA LIGHTING SERVICE	62,316,881	-	62,316,881	267,795,639		
23		SFLS - SPORTS FIELD LIGHTING SERVICE	202,072	(26,622)	175,450	1,134,908	17.81	15.46
24		SLS - STREET LIGHTING SERVICE	26,250,749	-	26,250,749	85,107,971	30.84	
25		TSS - TRAFFIC SIGNAL SERVICE	434,956	-	434,956	4,754,792	9.15	
26		Other Sum	\$ 89,204,659	\$ (26,622)	\$ 89,178,037	358,793,310		
27	Seasonal Intermittent	SI - SEASONAL OR INTERMITTENT SERVICE	4,715,715	(228,386)	4,487,329	43,075,313	10.95	10.42
28		Seasonal Intermittent Sum	\$ 4,715,715	\$ (228,386)	\$ 4,487,329	43,075,313		
29		Grand Total	\$ 3,256,952,878	\$ (259,842,608)	\$ 2,997,110,271	38,687,267,513		

[1] NC-0102 - Column c
[2] NC-0302 Sum of kWh

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro-forma annualizes test period operation and maintenance expenses excluding fuel, purchased power, and labor and benefit costs to reflect the change in unit costs that occurred during the test period.

The impact to operation and maintenance expenses is determined as follows:

First, calculate total operation and maintenance expense excluding fuel and purchased power but including labor that needs to be adjusted. This calculation is done by starting with per book operation and maintenance expense, excluding fuel and purchased power, and subtracting all pro-forma adjustments that impacted this amount.

Second, subtract net electric operation and maintenance salaries and wages from operation and maintenance expenses including labor.

Third, subtract fringe benefits from operation and maintenance expenses including labor. Fringe benefits are calculated by multiplying net electric operation and maintenance salaries and wages by the fringe benefits contribution rate.

Finally, the impact to operation and maintenance expense is calculated by multiplying total non-labor operation and maintenance expenses by the average inflation rate.

The impact to income taxes is determined by multiplying taxable income by the statutory tax rate.

October update

Updated NC-1201 to remove CertainTeed cost adjustment in accordance with Commission order under Docket No. E-2, Sub 1204

November update

Updated NC-1203, NC-1204 and NC-1205 for most up to date index values

December update

Updated index values on NC-1203, NC-1204 and NC-1205 and for impacts flowing from other adjustments

January update

Updated index values on NC-1203, NC-1204 and NC-1205 and for impacts flowing from other adjustments

February update

Updated for impacts flowing from other adjustments; No revision made to index values as updates were not available as of Supplemental filing date

Rebuttal

Updated NC-1203, NC-1204 and NC-1205 for index values through February 2020.

Updated average inflation rate on NC-1201

April update

Updated NC-1203, NC-1204 and NC-1205 for index values through April 2020.

Updated average inflation rate on NC-1201

Second Supplemental

Updated NC-1203, NC-1204 and NC-1205 for index values through May 2020.

Updated average inflation rate on NC-1201

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize O&M non-labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

Line No.	Description	Source	Second Supplemental
1			
2	<u>Pro Formas Impacting Income Statement Line Items</u>		
3			
4	Electric operating revenue		\$ -
5			
6	Electric operating expenses:		
7	Operation and maintenance		
8	Fuel used in electric generation		-
9	Purchased power		-
10	Other operation and maintenance expense	NC-1201	2,345
11	Depreciation and amortization		-
12	General taxes		-
13	Interest on customer deposits		-
14	Income taxes	NC-1201	(543)
15	Amortization of investment tax credit		-
16			
17	Total electric operating expenses	Sum L6 through L15	<u>1,802</u>
18			
19	Operating income	L4 - L17	<u>\$ (1,802)</u>
20			
21	Notes:		
22	Revenue: positive number increases revenue / negative number decreases revenue		
23	Expense: positive number increases expense / negative number decreases expense		
24			
25			
26	<u>Pro Formas Impacting Rate Base Line Items</u>		
27			
28	Electric plant in service		\$ -
29	Accumulated depreciation and amortization		-
30	Electric plant in service, net	Sum L28 through L29	<u>-</u>
31			
32	Add:		
33	Materials and supplies		-
34	Working capital investment		-
35			
36			
37	Less:		
38	Accumulated deferred taxes		-
39	Operating reserves		-
40			
41			
42	Construction work in progress		<u>-</u>
43			
44	Total impact to rate base	Sum L30 through L42	<u>\$ -</u>
45			
46	Note:		
47	Rate Base: positive number increases rate base / negative number decreases rate base		

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize O&M non-labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1201
Second Supplemental

		Second Supplemental		
Line No.	Description	Total System	NC Retail Allocation	Total NC Retail
1				
2				
3	O&M (excluding fuel and purchased power)	\$ 1,546,719 [1]		\$ 1,050,819 [1]
4				
5	Less: reagents expense and proceeds from sale of by-products	(102,730) [2]		(62,778) [2]
6	Less: costs recovered through non-fuel riders	(192,911) [3]		(136,143) [3]
7	Less: Ernst & Young outside tax services contract	(592) [4]	66.2120% [20]	(392) [4]
8	Less: nuclear refueling outage costs	(40,225) [5]		(40,225) [5]
9	Less: amortization of prior rate case costs	(1,012) [6]		(1,012) [6]
10	Less: aviation expenses	(1,579) [7]	66.2120% [20]	(1,045) [7]
11	Less: expiring amortizations	(1,673) [8]		(1,673) [8]
12	Less: merger related costs	(5,969) [9]		(4,039) [9]
13	Less: severance and retention costs	(52,890) [10]	66.2120% [20]	(35,020) [10]
14	Less: vegetation management expenses - distribution	(36,515) [11]	83.9171% [18]	(30,643) [11]
15	Less: vegetation management expenses - transmission	(8,143) [11]	59.6699% [19]	(4,859) [11]
16	Less: NCUC regulatory fee	(4,889) [12]		(4,889) [12]
17	Less: CertainTeed payment obligation	- [13]	61.1093% [21]	- [13]
18	Less: Public Staff Settlement - outside services	(52) [23]	61.5278% [23]	(32) [23]
19	Less: Public Staff Settlement - sponsorships	(38) [23]	61.5278% [23]	(23) [23]
20	Less: Public Staff Settlement - lobbying	(2,429) [23]	61.5278% [23]	(1,494) [23]
21	Less: Public Staff Settlement - board of directors expenses	(2,086) [23]	61.5278% [23]	(1,283) [23]
22				
23	Total O&M to be adjusted including labor (Sum L3 through L21)	\$ 1,092,987		\$ 725,270
24				
25	Net electric O&M salaries and wages	\$ 649,874 [14]		
26	Fringe benefits contribution rate	20.50% [15]		
27	Fringe benefits (L25 x L26)	\$ 133,210		
28				
29	Less: net electric O&M salaries & wages and fringe benefits (L25 + L27)	\$ 783,084	66.2120% [20]	\$ 518,496
30				
31	Total non-labor O&M to be adjusted (L23 - L29)	\$ 309,903		\$ 206,774
32	Average inflation rate	1.13% [16]		1.13% [15]
33	Impact to O&M - non-labor O&M adjustment to reflect end of period costs (L31 x L32)	\$ 3,514		\$ 2,345
34				
35	Statutory tax rate	23.1693% [17]		23.1693% [16]
36	Impact to income taxes (-L33 x L35)	\$ (814)		\$ (543)
37	Impact to operating income (-L33 - L36)	\$ (2,700)		\$ (1,802)

- [1] Smith Exhibit 1, Other O&M, Page 1, Line 4, Columns 1 and 2
[2] NC-0201 - Update fuel costs to approved rate
[3] NC-0601 - Eliminate costs recovered through non-fuel riders, Line 23
[4] NC-1311 - Adjustment to annualized Ernst & Young outside tax services contract, Line 2
[5] NC-1501 - Levelize nuclear refueling outage costs, Line 21
[6] E-1 Item 45A
[7] NC-1702 - Adjust aviation expenses, Line 5
[8] NC-1801 - Adjust for approved regulatory assets and liabilities, Line 3
[9] NC-1901 - Adjust for merger related costs, Line 4
[10] NC-2001 - Amortize severance costs - Actuals, Line 4
[11] NC-2702 - Adjust for vegetation management - distribution and transmission, Lines 11 and 23
[12] E-1 Item 45A
[13] NC-3301, Line 10
[14] NC-1301, Line 14
[15] NC-1301, Line 34
[16] NC-1203 - Average of Consumer Price Index and Producer Price Index, Line 19
[17] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10
[18] NC Retail Allocation Factor - RB_PLT_O_DI_OH_LN
[19] NC Retail Allocation Factor - DTALL
[20] NC Retail Allocation Factor - LAB
[21] NC Retail Allocation Factor - E1ALL
[22] NC-2503 - Annualized credit/debit card and ACH transactions - NC Residential Only - Line 24
[23] NC-3601 - Settlement adjustment to remove certain items

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NC-1202
Second Supplemental

Average of Consumer Price Index and Producer Price Index

Line No.	Period	CPI [1] (a)	PPI [2] Finished goods less food & energy (b)	PPI [3] Processed materials less food & energy (c)	PPI Average (d)= Average of (b) and (c)
1	December 2017	246.5	200.6	196.3	
2	January 2018	247.9	200.9	197.2	
3	February 2018	249.0	201.3	198.3	
4	March 2018	249.6	201.8	199.3	
5	April 2018	250.5	202.3	199.8	
6	May 2018	251.6	202.7	201.3	
7	June 2018	252.0	203.1	202.3	
8	July 2018	252.0	203.7	203.0	
9	August 2018	252.1	204.2	203.7	
10	September 2018	252.4	204.6	204.5	
11	October 2018	252.9	205.1	204.8	
12	November 2018	252.0	205.6	204.2	
13	December 2018	251.2	205.8	203.1	
14					
15	May 2020	256.4	209.8	195.0	
16					
17	13 month average	250.8	203.2	201.4	
18					
19	Increase from average to year end (L15 - L17)	5.6	6.6	(6.4)	
20	% increase from average to year end (L19 / L17)	2.23%	3.25%	-3.18%	0.04%
21	Average inflation rate (Average, Line 18, Col. (a) and Col. (d))	1.13%			

[1] NC-1203 - Consumer Price Index - All Items

[2] NC-1204 - Producer Price Index - Commodities - Finished goods less food and energy

[3] NC-1205 - Producer Price Index - Commodities - Processed materials less food and energy

Note: Totals may not foot due to rounding.

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NC-1203
Second Supplemental

Consumer Price Index - All Urban Consumers
Original Data Value

Series Id: CUUR0000SA0
Not Seasonally Adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100
Years: 2009 to 2019

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	211.1	212.2	212.7	213.2	213.9	215.7	215.4	215.8	216.0	216.2	216.3	215.9	214.5
2010	216.7	216.7	217.6	218.0	218.2	218.0	218.0	218.3	218.4	218.7	218.8	219.2	218.1
2011	220.2	221.3	223.5	224.9	226.0	225.7	225.9	226.5	226.9	226.4	226.2	225.7	224.9
2012	226.7	227.7	229.4	230.1	229.8	229.5	229.1	230.4	231.4	231.3	230.2	229.6	229.6
2013	230.3	232.2	232.8	232.5	232.9	233.5	233.6	233.9	234.1	233.5	233.1	233.0	233.0
2014	233.9	234.8	236.3	237.1	237.9	238.3	238.3	237.9	238.0	237.4	236.2	234.8	236.7
2015	233.7	234.7	236.1	236.6	237.8	238.6	238.7	238.3	237.9	237.8	237.3	236.5	237.0
2016	236.9	237.1	238.1	239.3	240.2	241.0	240.6	240.8	241.4	241.7	241.4	241.4	240.0
2017	242.8	243.6	243.8	244.5	244.7	245.0	244.8	245.5	246.8	246.7	246.7	246.5	245.1
2018	247.9	249.0	249.6	250.5	251.6	252.0	252.0	252.1	252.4	252.9	252.0	251.2	251.1
2019	251.7	252.8	254.2	255.5	256.1	256.1	256.6	256.6	256.8	257.3	257.2	257.0	255.7
2020	258.0	258.7	258.1	256.4	256.4								257.5

Source: Bureau of Labor Statistics

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NC-1204
Second Supplemental

Producer Price Index-Commodities
Original Data Value

Series Id: WPSFD4131
Seasonally Adjusted
Group: Final demand
Item: Finished goods less foods and energy
Base Date: 198200
Years: 2009 to 2019

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	170.8	170.9	171.2	171.3	171.2	171.8	171.4	171.8	171.6	171.5	172.1	172.1	171.5
2010	172.5	172.6	172.9	172.9	173.4	173.6	173.7	173.9	174.3	174.3	174.3	174.6	173.6
2011	175.3	175.7	176.2	176.8	177.0	177.6	178.2	178.5	179.0	179.4	179.6	180.0	177.8
2012	180.7	181.0	181.3	181.6	181.8	182.1	182.9	183.2	183.2	183.3	183.7	183.7	182.4
2013	183.9	184.2	184.4	184.6	184.8	185.0	185.2	185.3	185.4	185.6	185.9	186.7	185.1
2014	187.5	187.7	187.7	187.9	188.2	188.5	188.7	189.0	189.2	189.7	189.7	189.8	188.6
2015	190.7	191.3	191.5	191.6	191.8	192.7	193.0	193.0	193.2	193.0	193.1	193.4	192.4
2016	193.9	194.2	194.3	194.6	194.9	195.4	195.4	195.7	195.8	196.1	196.3	196.7	195.3
2017	197.1	197.4	197.8	198.5	198.6	198.8	198.9	199.2	199.2	200.0	200.5	200.6	198.9
2018	200.9	201.3	201.8	202.3	202.7	203.1	203.7	204.2	204.6	205.1	205.6	205.8	203.4
2019	206.6	206.9	207.2	207.5	207.8	207.7	208.1	208.2	208.4	208.4	208.8	208.7	207.9
2020	208.7	209.1	209.7	209.6	209.8								209.4

Source: Bureau of Labor Statistics

Note: Items highlighted green above are preliminary. All indexes are subject to revision four months after original publication.

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NC-1205
Second Supplemental

Producer Price Index-Commodities
Original Data Value

Series Id: WPSID69115
Seasonally
Adjusted
Group: Intermediate demand by commodity type
Item: Processed materials less foods and
Base Date: 198200
Years: 2009 to 2019

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	174.8	173.5	172.7	171.8	171.4	171.8	172.2	173.2	174.2	174.5	174.9	175.9	173.4
2010	177.0	178.4	179.6	181.4	181.8	180.9	180.2	180.5	180.9	182.0	183.1	184.1	180.8
2011	186.6	188.8	190.2	192.4	193.5	193.7	194.2	194.2	194.2	193.0	192.3	191.3	192.0
2012	192.0	193.2	194.5	194.7	194.1	191.9	191.2	191.3	192.0	192.2	192.1	192.6	192.7
2013	193.7	194.7	194.4	193.9	193.6	193.5	193.3	193.7	193.7	193.6	193.6	194.0	193.8
2014	194.6	195.2	194.8	195.1	195.0	195.1	195.9	196.3	196.3	195.8	194.9	193.9	195.2
2015	191.8	191.1	190.5	190.1	190.1	190.2	190.0	189.1	188.1	187.7	187.1	186.6	189.4
2016	185.8	185.2	185.1	185.7	186.2	186.6	186.9	187.4	187.7	188.0	188.7	189.4	186.9
2017	190.0	191.3	192.1	192.9	192.8	193.1	192.9	193.5	194.2	195.0	196.0	196.3	193.3
2018	197.2	198.3	199.3	199.8	201.3	202.3	203.0	203.7	204.5	204.8	204.2	203.1	201.8
2019	203.1	202.7	202.4	202.2	201.7	201.0	200.7	200.0	199.7	200.2	199.8	199.4	201.1
2020	199.6	199.2	199.1	196.2	195.0								197.8

Source: Bureau of Labor Statistics

Note: Items highlighted green above are preliminary. All indexes are subject to revision four months after original publication.

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro-forma adjusts operation and maintenance expense, general taxes and income taxes to normalize operation and maintenance labor costs.

The impact to operation and maintenance expense is determined as follows:

1. The salaries and wages booked during the test period are subtracted from salaries and wages at June 30, 2019 per Human Resources.
2. The percentage of electric operation and maintenance expense to apply to the salaries and wages adjustment is calculated as follows: total operation and maintenance labor per Form 1, Page 354 is divided by total salaries and wages excluding other work in progress and allocation of clearing accounts per Form 1, Page 355. The adjustment calculated in Step 1 is multiplied by this percentage.
3. The impact to related fringe benefit costs is calculated by multiplying the salaries and wage adjustment calculated in Step 1 by the fringe benefits contribution rate. The fringe benefits contribution rate is calculated by dividing account 926 - employee pensions and benefits booked during the test period by total operation and maintenance labor per Form 1, Page 354.
4. The impact to operation and maintenance expense also reflects an adjustment to restate variable short and long term pay booked during the test period to target.

The impact to general taxes reflects the change in the FICA tax base. To adjust general taxes, the salaries and wages adjustment calculated in Step 1 is multiplied by the percentage of wages subject to OASDI by the OASDI tax rate for employers. Next, the adjustment due to Medicare tax is calculated by multiplying the salaries and wages adjustment calculated in Step 1 by the Medicare tax rate.

The impact to income taxes was determined by multiplying taxable income by the statutory tax rate.

October Update

NC-1304, and NC1305 have all been updated for 12 months ended October 2019

November Update

NC-1304, and NC1305 have all been updated for 12 months ended November 2019

December Update

NC-1304, and NC1305 have all been updated for 12 months ended December 2019
NC-1311 E&Y Fees have been updated for 2019 Actuals

January Update

NC-1304, and NC1305 have all been updated through January 2020

February Update

NC-1304, and NC1305 have all been updated through February 2020

Settlement

NC-1312 added for settled Methodology which excludes STIP and LTIP tied to EPS for executives and those who are eligible for LTIP, Line 11 & 20

Second Supplemental

NC-1304 and NC1305 were updated through May 2020.

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(Dollars in thousands)

NC-1300
Second Supplemental

Line No.	Description	Source	Second Supplemental	April	Total NC Retail Partial Settlement	Application	Change
1							
2	Pro Formas Impacting Income Statement Line Items						
3							
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -
5							
6	Electric operating expenses:						
7	Operation and maintenance						
8	Fuel used in electric generation		-	-	-	-	-
9	Purchased power		-	-	-	-	-
10	Other operation and maintenance expense	NC-1301	(19,235)	(18,144)	(23,710)	(18,512)	(722)
11	Depreciation and amortization		-	-	-	-	-
12	General taxes	NC-1301	(909)	(847)	(1,162)	(1,089)	181
13	Interest on customer deposits		-	-	-	-	-
14	Income taxes	NC-1301	4,667	4,400	5,763	4,542	126
15	Amortization of investment tax credit		-	-	-	-	-
16							
17	Total electric operating expenses	Sum L8 through L15	(15,476)	(14,591)	(19,109)	(15,060)	(416)
18							
19	Operating income	L4 - L17	\$ 15,476	\$ 14,591	\$ 19,109	\$ 15,060	\$ 416
20							
21	Notes:						
22	Revenue: positive number increases revenue / negative number decreases revenue						
23	Expense: positive number increases expense / negative number decreases expense						
24							
25							
26	Pro Formas Impacting Rate Base Line Items						
27							
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization		-	-	-	-	-
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-
31							
32	Add:						
33	Materials and supplies		-	-	-	-	-
34	Working capital investment		-	-	-	-	-
35							
36							
37	Less:						
38	Accumulated deferred taxes		-	-	-	-	-
39	Operating reserves		-	-	-	-	-
40							
41							
42	Construction work in progress		-	-	-	-	-
43							
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -
45							
46	Note:						
47	Rate Base: positive number increases rate base / negative number decreases rate base						

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NC-1301
Second Supplemental
Page 1 of 2

Line No.	Description	Labor Per Books	As of 5/31/2020 HR Salaries	Pro Forma HR salaries
1				
2	<u>Salaries and Wages by Payroll Company</u>			
3	Duke Energy Carolinas - salaries and wages - charged to Duke Energy Progress	\$ 85,883 [1]	\$ 83,631 [2]	\$ (2,253)
4	Service Company DEBS - salaries and wages - charged to Duke Energy Progress	133,040 [1]	131,956 [2]	(1,084)
5	Duke Energy Progress - salaries and wages	425,470 [1]	402,293 [2]	(23,177)
6	Total salaries and wages (Sum L3 through L5)	<u>\$ 644,394</u>	<u>\$ 617,880</u>	<u>\$ (26,514)</u>
7				
8	<u>Calculation of Electric O&M % to Apply to Salaries & Wages Adjustment</u>			
9	Total salaries and wages (Form 1, Page 355, Line 96, Col (d))	\$ 878,621 [4]		
10	Less: other work in progress (Form 1, Page 355, Line 78, Col (b))	4,751 [4]		
11	Less: allocation of payroll charged for clearing accounts (Form 1, Page 355, Line 96, Col (c))	18,495 [4]		
12	Total salaries and wages - excluding other WIP and allocation of clearing accounts (L9 - L10 - L11)	<u>\$ 855,375</u>		
13				
14	Total operating and maintenance (Form 1, Page 354, Line 28, Col (b))	\$ 649,874 [4]		
15				
16	Percent of incurred costs charged to electric expense (L14 / L12)	<u>75.98%</u>		<u>75.98%</u>
17	Net electric O&M salaries and wages to adjust (L6 x L16)			\$ (20,144)
18				
19	<u>Adjustment to General Taxes - FICA</u>			
20	Net electric O&M salaries and wages to adjust (L17)			\$ (20,144)
21	Percentage of wages subject to OASDI			<u>86.49% [5]</u>
22	Electric wage adjustment subject to OASDI tax (L20 x L21)			\$ (17,422)
23	OASDI tax rate (employers)			<u>6.20% [6]</u>
24	Adjustment due to wage adjustment (before Medicare rate) (L22 x L23)			\$ (1,080)
25				
26	Net electric O&M salaries and wages to adjust (L17)			\$ (20,144)
27	Medicare tax rate			<u>1.45% [6]</u>
28	Adjustment due to Medicare tax (L26 x L27)			\$ (292)
29	Impact to general taxes (L24 + L28)			<u>\$ (1,372)</u>
30				
31	<u>Calculation of Fringe Benefits Contribution Rate</u>			
32	Account 926 - employee pensions and benefits - 12 Months Ended December 31, 2018	\$ 133,210 [7]		
33	Total operating and maintenance (Form 1, Page 354, Line 28, Col (b)) (L14)	<u>649,874</u>		
34	Fringe benefits contribution rate (L32 / L33)	<u>20.50%</u>		

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NC-1301
Second Supplemental
Page 2 of 2

Line No.	Description	Total System	NC Retail Allocation	Total NC Retail
35				
36	<u>Calculation of O&M (Including Fringe Benefits & Variable Pay) and Income Tax</u>			
37	Net electric O&M salaries and wages to adjust (L17)	\$ (20,144)		
38	Fringe benefits contribution rate (L34)	20.50%		
39	Fringe benefits adjustment (L37 x L38)	\$ (4,129)		
40				
41	Adjustment to restate variable short and long term pay at target NC-1310	\$ (5,950) [8]		
42	Adjustment to Annualize E&Y Tax Service Contract NC-1311	\$ 1,173		
43				
44	Impact to O&M (L37 + L39 + L41)	\$ (29,050)	66.2120% [9]	\$ (19,235)
45				
46	Impact to general taxes (L29)	\$ (1,372)	66.2120% [9]	\$ (909)
47				
48	Taxable income (-L44 - L46)	\$ 30,422		\$ 20,143
49	Statutory tax rate	23.1693% [10]		23.1693% [10]
50	Impact to income taxes (L48 x L49)	\$ 7,049		\$ 4,667
51				
52	Impact to operating income (L48 - L50)	\$ 23,374		\$ 15,476

- [1] NC-1302 - Salaries and Wages by Payroll Company for Duke Energy Progress - 12 Months Ended Dec 31, 2018
[2] NC-1304 - Annual Salary Information by Payroll Company for Duke Energy Progress - Dec 31, 2019
[4] NC-1306 - Distribution of Salaries and Wages, 12 Months Ended December 31, 2018 (Form 1, Page 354-355)
[5] NC-1307 - Quarterly Federal Tax Summary Report
[6] NC-1308 - OASDI and SSI Program Rates & Limits - 2019
[7] NC-1309 - Duke Energy Progress - (926) Employee Pensions and Benefits - 12 Months Ended December 31, 2018
[8] NC-1310 - Variable Short and Long Term Pay for Duke Energy Progress
[9] NC Retail Allocation Factor - LAB
[10] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

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NC-1302
Second Supplemental

Salaries and Wages by Payroll Company for Duke Energy Progress - 12 Months Ended December 31, 2018

Line No.	Payroll Company	Resource Category	Capital	O&M	Total	
1						
2	Duke Energy Carolinas (Payroll Company 100) - charged to DE Progress	Direct Labor	\$ 14,986,733	\$ 49,780,040	\$ 64,766,773	75.41%
3	Duke Energy Carolinas (Payroll Company 100) - charged to DE Progress	Allocated Labor	2,634,654	18,481,953	21,116,607	24.59%
4	Subtotal		\$ 17,621,387	\$ 68,261,993	\$ 85,883,380	100.00%
5						
6	Service Company (Payroll Company 110) - charged to DE Progress	Direct Labor	\$ 35,368,447	\$ 78,383,690	\$ 113,752,137	85.50%
7	Service Company (Payroll Company 110) - charged to DE Progress	Allocated Labor	6,659,597	12,628,346	19,287,943	14.50%
8	Subtotal		\$ 42,028,044	\$ 91,012,036	\$ 133,040,080	100.00%
9						
10	Duke Energy Progress (Payroll Company 801)	Direct Labor	\$ 102,240,101	\$ 252,616,285	\$ 354,856,386	83.40%
11	Duke Energy Progress (Payroll Company 801)	Allocated Labor	20,004,454	50,609,387	70,613,841	16.60%
12	Subtotal		\$ 122,244,555	\$ 303,225,672	\$ 425,470,227	100.00%
13						
14	Total		<u>\$ 181,893,987</u>	<u>\$ 462,499,701</u>	<u>\$ 644,393,688</u>	

Note: Totals may not foot due to rounding
Source: Duke Energy Progress General Accounting and Reporting

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There are no joint owner reimbursements to consider.

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Normalize O&M labor expenses
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NC-1304
Second Supplemental

Annual Salary Information by Payroll Company for Duke Energy Progress - May 31, 2020

<u>Line</u> <u>No.</u>	<u>Payroll Company</u>	<u>Grand Total</u>
1		
2	Duke Energy Carolinas (Payroll Company 100)	\$ 811,096,827 [2]
3	Duke Energy Carolinas % of labor charged to Duke Energy Progress	10.31% [1]
4	Duke Energy Carolinas labor charged to Duke Energy Progress (L2 x L3)	\$ 83,630,689
5		
6	Service Company (Payroll Company 110)	\$ 763,520,468 [2]
7	Service Company % of labor charged to Duke Energy Progress	17.28% [1]
8	Service Company labor charged to Duke Energy Progress (L6 x L7)	\$ 131,955,965
9		
10	Duke Energy Progress (Payroll Company 801)	\$ 440,885,611 [2]
11	Duke Energy Progress % of labor charged to Duke Energy Progress	91.25% [1]
12	Duke Energy Progress labor charged to Duke Energy Progress (L10 x L11)	\$ 402,292,976
13		
14	Total - sum of annual salaries (L4 + L8 + L12)	\$ 617,879,630

[1] NC-1305 - Labor Allocations by Business Unit Group - 12 Months Ended May 31, 2020

[2] Information provided by Duke Energy Human Resources Operations

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NC-1305
Second Supplemental

Labor Allocations by Business Unit Group - 12 Months Ended May 31, 2020

Base Labor Resource Types Included: 11000, 11002, 18000, 18001, 18005

Line No.	Resp Center Level 2 Node Name LVL	BU Group	Monetary Amount JD	Percentage
1				
2	100_DUKE_POWER_CONSO	1. DE Carolinas	\$ 662,294,442	82.85%
3	100_DUKE_POWER_CONSO	2. DE Progress	82,428,043	10.31%
4	100_DUKE_POWER_CONSO	3. DEBS	823,576	0.10%
5	100_DUKE_POWER_CONSO	4. Other	53,886,837	6.74%
6	100_DUKE_POWER_CONSO		<u>\$ 799,432,898</u>	<u>100.00%</u>
7				
8	110_SERVICE_COMPANY	1. DE Carolinas	\$ 189,697,243	25.03%
9	110_SERVICE_COMPANY	2. DE Progress	131,000,769	17.28%
10	110_SERVICE_COMPANY	3. DEBS	49,016,522	6.47%
11	110_SERVICE_COMPANY	4. Other	388,279,006	51.22%
12	110_SERVICE_COMPANY		<u>\$ 757,993,540</u>	<u>100.00%</u>
13				
14	801_DE_PROGRESS	1. DE Carolinas	\$ 30,593,108	6.92%
15	801_DE_PROGRESS	2. DE Progress	403,178,791	91.25%
16	801_DE_PROGRESS	3. DEBS	160,173	0.04%
17	801_DE_PROGRESS	4. Other	7,924,331	1.79%
18	801_DE_PROGRESS		<u>\$ 441,856,403</u>	<u>100.00%</u>
19				
20	Total		<u>\$ 1,999,282,841</u>	

Source: Duke Energy Corporate Accounting

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[illegible]

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Normalize O&M labor expenses
For the test period ended December 31, 2018

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Name of Respondent Duke Energy Progress, LLC		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report End of 2018/Q4
DISTRIBUTION OF SALARIES AND WAGES (Continued)					
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)	
48	Distribution				
49	Administrative and General				
50	TOTAL Maint. (Enter Total of lines 43 thru 49)				
51	Total Operation and Maintenance				
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)				
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,				
54	Other Gas Supply (Enter Total of lines 33 and 45)				
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru				
56	Transmission (Lines 35 and 47)				
57	Distribution (Lines 36 and 48)				
58	Customer Accounts (Line 37)				
59	Customer Service and Informational (Line 38)				
60	Sales (Line 39)				
61	Administrative and General (Lines 40 and 49)				
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)				
63	Other Utility Departments				
64	Operation and Maintenance				
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	649,874,113	3,710,561	653,584,674	
66	Utility Plant				
67	Construction (By Utility Departments)				
68	Electric Plant	163,441,091	14,784,255	178,225,346	
69	Gas Plant				
70	Other (provide details in footnote):				
71	TOTAL Construction (Total of lines 68 thru 70)	163,441,091	14,784,255	178,225,346	
72	Plant Removal (By Utility Departments)				
73	Electric Plant	30,303,443		30,303,443	
74	Gas Plant				
75	Other (provide details in footnote):				
76	TOTAL Plant Removal (Total of lines 73 thru 75)	30,303,443		30,303,443	
77	Other Accounts (Specify, provide details in footnote):				
78	Non-Regulated Products and Services	4,750,987		4,750,987	
79	Other Work in Progress	4,471,750		4,471,750	
80	Other Accounts	7,284,796		7,284,796	
81					
82					
83					
84					
85					
86					
87					
88					
89					
90					
91					
92					
93					
94					
95	TOTAL Other Accounts	16,507,533		16,507,533	
96	TOTAL SALARIES AND WAGES	860,126,180	18,494,816	878,620,996	

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Source: Duke Energy HR Operations

Quarterly Federal Tax Summary Report (Report ID: TAX010FD) - Summary

Line No.	Description	(a)	(b)	(c)	12 Months Ended Dec 31, 2018 (d)
1					
2	<u>Duke Energy Carolinas</u>				
3	100 Duke Energy Carolinas, LLC OASDI [ER] YTD Gross Wages				\$ 1,087,229,757 [1]
4	100 Duke Energy Carolinas, LLC OASDI [ER] YTD Taxable Wages				938,515,849 [1]
5	Percentage Total (L4 / L3)				86.32%
6					
7	<u>Duke Energy Business Services</u>				
8	110 Duke Energy Business Services, LLC OASDI [ER] YTD Gross Wages				\$ 950,101,600 [2]
9	110 Duke Energy Business Services LLC OASDI [ER] YTD Taxable Wages				778,374,460 [2]
10	Percentage Total (L9 / L8)				81.93%
11					
12	<u>Duke Energy Progress</u>				
13	801 Duke Energy Progress, LLC OASDI [ER] YTD Gross Wages				\$ 613,149,643 [3]
14	801 Duke Energy Progress, LLC OASDI [ER] YTD Taxable Wages				539,237,877 [3]
15	Percentage Total (L14 / L13)				87.95%
16					
17	<u>Calculation of Percentage of Wages Subject to OASDI</u>				
18	<u>For 12 Months Ended December 31, 2018</u>				
19	Duke Energy Carolinas	\$ 85,883,380 [4]	13.33% [5]	86.32% [8]	11.50% [11]
20	Duke Energy Business Services	133,040,080 [4]	20.65% [6]	81.93% [9]	16.91% [11]
21	Duke Energy Progress	425,470,227 [4]	66.03% [7]	87.95% [10]	58.07% [11]
22	Total (Sum L19 through L21)	<u>\$ 644,393,688</u>	<u>100.00%</u>		<u>86.49%</u>

[1] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 100

[2] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 110

[3] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 801

[4] NC-1302 - Salaries and Wages by Payroll Company for Duke Energy Progress - 12 Months Ended December 31, 2018

[5] Column (a), Line 19 divided by Line 22

[6] Column (a), Line 20 divided by Line 22

[7] Column (a), Line 21 divided by Line 22

[8] Column (d), Line 5

[9] Column (d), Line 10

[10] Column (d), Line 15

[11] Column (b) multiplied by Column (c)

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Quarterly Federal Tax Summary Report

Company	Quarter	Tax Authori	EIN	Tax	QTD Withheld	QTD Taxable Wages	QTD Gross Wages	YTD Tax Withheld	YTD Taxable Wages	YTD Gross Wages
100 Duke Energy Carolinas, LLC	2018-Q4	Federal	56-0205520	Additional Medicare Tax	104,974.70	11,663,853.10	11,663,853.10	282,793.95	31,421,542.88	31,421,542.88
100 Duke Energy Carolinas, LLC	2018-Q4	Federal	56-0205520	Federal Withholding	28,536,104.44	217,903,543.03	247,576,721.94	128,668,020.04	951,227,720.66	1,085,375,221.61
100 Duke Energy Carolinas, LLC	2018-Q4	Federal	56-0205520	FUI (ER)	7,814.72	1,302,349.11	247,394,057.93	425,889.10	70,981,398.12	1,085,502,960.39
100 Duke Energy Carolinas, LLC	2018-Q4	Federal	56-0205520	Medicare (ER)	3,427,570.58	236,384,057.64	247,916,479.73	15,075,010.04	1,039,655,751.63	1,087,229,756.77
100 Duke Energy Carolinas, LLC	2018-Q4	Federal	56-0205520	Medicare	3,427,602.66	236,384,552.37	247,936,628.56	15,075,015.30	1,039,656,246.36	1,087,229,699.23
100 Duke Energy Carolinas, LLC	2018-Q4	Federal	56-0205520	OASDI (ER)	11,044,837.60	178,142,417.46	247,916,479.73	58,187,990.70	938,515,848.91	1,087,229,756.77
100 Duke Energy Carolinas, LLC	2018-Q4	Federal	56-0205520	OASDI	11,044,869.55	178,142,912.19	246,965,125.67	58,188,013.61	938,516,343.64	1,084,491,252.86
110 Duke Energy Business Services, LLC	2018-Q4	Federal	56-2115358	Additional Medicare Tax	191,753.93	21,305,989.49	21,305,989.49	651,529.46	72,392,154.27	72,392,154.27
110 Duke Energy Business Services, LLC	2018-Q4	Federal	56-2115358	Federal Withholding	24,460,997.11	182,836,171.89	207,390,610.00	122,163,890.03	835,162,767.20	947,110,242.18
110 Duke Energy Business Services, LLC	2018-Q4	Federal	56-2115358	FUI (ER)	8,159.62	1,359,946.18	207,624,794.33	375,114.04	62,519,025.03	948,631,033.96
110 Duke Energy Business Services, LLC	2018-Q4	Federal	56-2115358	Medicare (ER)	2,872,403.28	198,096,763.28	208,008,186.10	13,197,524.85	910,174,139.03	950,101,596.15
110 Duke Energy Business Services, LLC	2018-Q4	Federal	56-2115358	Medicare	2,872,409.66	198,097,158.67	208,059,234.06	13,197,530.70	910,174,542.29	950,064,243.15
110 Duke Energy Business Services, LLC	2018-Q4	Federal	56-2115358	OASDI (ER)	9,085,708.46	146,543,683.20	208,008,190.06	48,259,216.85	778,374,459.54	950,101,600.11
110 Duke Energy Business Services, LLC	2018-Q4	Federal	56-2115358	OASDI	9,085,473.10	146,543,922.04	204,973,055.80	48,259,232.15	778,374,706.55	935,817,798.97
801 Duke Energy Progress, LLC	2018-Q4	Federal	56-0165465	Additional Medicare Tax	39,261.27	4,362,352.52	4,369,223.21	101,191.04	11,243,439.39	11,250,310.08
801 Duke Energy Progress, LLC	2018-Q4	Federal	56-0165465	Federal Withholding	15,957,342.77	123,629,596.26	140,175,939.25	71,856,843.21	537,401,484.37	612,187,559.85
801 Duke Energy Progress, LLC	2018-Q4	Federal	56-0165465	FUI (ER)	4,006.42	667,734.28	140,002,620.05	239,162.45	39,860,404.92	612,429,759.51
801 Duke Energy Progress, LLC	2018-Q4	Federal	56-0165465	Medicare (ER)	1,940,423.35	133,822,341.37	140,181,009.46	8,506,298.22	586,641,267.42	613,149,642.51
801 Duke Energy Progress, LLC	2018-Q4	Federal	56-0165465	Medicare	1,940,423.45	133,822,341.37	140,224,083.49	8,506,298.21	586,641,267.42	613,149,642.51
801 Duke Energy Progress, LLC	2018-Q4	Federal	56-0165465	OASDI (ER)	6,427,921.91	103,676,152.17	140,181,009.46	33,432,748.73	539,237,876.69	613,149,642.51
801 Duke Energy Progress, LLC	2018-Q4	Federal	56-0165465	OASDI	6,428,101.62	103,679,042.20	139,922,162.99	33,432,748.72	539,237,876.69	612,329,162.31

OASDI and SSI Program Rates & Limits 2019

Old-Age, Survivors, and Disability Insurance (OASDI)

Tax Rates (percent)	
Social Security (Old-Age, Survivors, and Disability Insurance)	
Employers and Employees, each ^a	6.20
Medicare (Hospital Insurance)	
Employers and Employees, each ^{a,b}	1.45
Maximum Taxable Earnings (dollars)	
Social Security	132,900
Medicare (Hospital Insurance)	No limit
Earnings Required for Work Credits (dollars)	
One Work Credit (One Quarter of Coverage)	1,360
Maximum of Four Credits a Year	5,440
Earnings Test Annual Exempt Amount (dollars)	
Under Full Retirement Age for Entire Year	17,640
For Months Before Reaching Full Retirement Age in Given Year	46,920
Beginning with Month Reaching Full Retirement Age	No limit
Maximum Monthly Social Security Benefit for	
Workers Retiring at Full Retirement Age (dollars)	2,861
Full Retirement Age	66
Cost-of-Living Adjustment (percent)	2.8
a. Self-employed persons pay a total of 15.3 percent—12.4 percent for OASDI and 2.9 percent for Medicare.	
b. This rate does not reflect the additional 0.9 percent in Medicare taxes certain high-income taxpayers are required to pay. See IRS information on this topic.	

Supplemental Security Income (SSI)

Monthly Federal Payment Standard (dollars)	
Individual	771
Couple	1,157
Cost-of-Living Adjustment (percent)	2.8
Resource Limits (dollars)	
Individual	2,000
Couple	3,000
Monthly Income Exclusions (dollars)	
Earned Income ^a	65
Unearned Income	20
Substantial Gainful Activity (SGA) Level for the Nonblind Disabled (dollars)	1,220
a. The earned income exclusion consists of the first \$65 of monthly earnings, plus one-half of remaining earnings.	



Office of Retirement and Disability Policy
www.ssa.gov/policy

Produced and published at U.S. taxpayer expense

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Normalize O&M labor expenses
For the test period ended December 31, 2018

NC-1309
Second Supplemental

Duke Energy Progress - (926) Employee Pensions and Benefits - 12 Months Ended December 31, 2018

Line			
<u>No.</u>	<u>Account & Description</u>	<u>Total</u>	
1			
2	0926000 - Empl Pensions and Benefits	\$ 139,167,551	[1]
3	0926420 - Employees' Tuition Refund	899	[1]
4	0926430 - Employees'Recreation Expense	8,983	[1]
5	0926600 - Employee Benefits - Transferred	(5,967,422)	[1]
6	Total	<u>\$ 133,210,011</u>	

[1] E-1 Item 2, Working Trial Balance

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Normalize O&M labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1310
Second Supplemental

Variable Short and Long Term Pay for Duke Energy Progress - 12 Months Ended Dec 31, 2018

Line No.	Description	Total Progress
1		
2	Level of variable short term pay	\$ 70,742 [1]
3	Level of variable long term pay	17,004 [2]
4	Total (L2 + L3)	\$ 87,747
5		
6	2019 target level of variable short term pay	\$ 69,054 [3]
7	2019 target level of variable long term pay	18,657 [2]
8	Total (L6 + L7)	\$ 87,711
9		
10	Adjustment to STIP	(1,241)
11	Adjustment to LTIP	(4,674)
12	Remaining variable short and long term pay (L8 + L10+ L11)	81,797
13		
14	Adjustment to restate variable short and long term pay at target (L8 - L4)	\$ (5,950)

[1] NC-1310-1 - Level of Variable Short Term Pay for Duke Energy Progress - 12 Months Ended Dec 31, 2018, Line 39, Col. (c)

[2] NC-1310-3 - Variable Long Term Pay for Duke Energy Progress, Lines 6 and 13, Col. (a)

[3] NC-1310-2 - 2019 Target Level of Variable Short Term Pay for Duke Energy Progress, Line 39, Col. (c)

[3] NC-1312 - Settled Methodology excludes STIP and LTIP tied to EPS for executives and those eligible for LTIP, Line 11 & 20

Level of Variable Short Term Pay for Duke Energy Progress - 12 Months Ended December 31, 2018

Line No.	Description	Asset	Indirect	Liability	Other Balance Sheet (a)	Capital (b)	O&M (c)	Total (d)
2	<u>Direct Charge:</u>							
3	Duke Energy Commercial Enterprises	\$ -	\$ 86	\$ 38	\$ 125	\$ 110	\$ 3,008	\$ 3,243
4	Duke Energy Business Services	1,957,725	951,343	131,012	3,040,081	2,829,696	7,485,974	13,355,751
5	Duke Energy Carolinas	49,707	125,170	134,323	309,201	1,681,795	3,492,564	5,483,560
6	Duke Energy Indiana	2	-	487	488	12,206	103,201	115,896
7	Duke Energy Kentucky	-	-	-	-	8	8,396	8,404
8	Duke Energy Ohio	-	-	678	678	399	44,550	45,626
9	Piedmont Natural Gas	14	-	1,767	1,781	-	9,106	10,887
10	Duke Energy Progress	234,576	3,622,776	57,692	3,915,043	10,283,443	40,588,987	54,787,474
11	Duke Energy Florida	368	4,997	35,183	40,548	14,215	245,580	300,342
12	Direct Charge Total (Sum L3 through L11)	\$ 2,242,393	\$ 4,704,372	\$ 361,180	\$ 7,307,945	\$ 14,821,873	\$ 51,981,366	\$ 74,111,183
13								
14	Percentage split between capital and O&M for direct charges					22.1874%	77.8126%	100.0000%
15								
16	<u>Service Company Allocation:</u>							
17	Duke Energy Commercial Enterprises	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 274	\$ 274
18	Duke Energy Business Services	-	-	-	-	131,695	10,813,474	10,945,168
19	Duke Energy Carolinas	-	-	-	-	17,099	3,118,741	3,135,839
20	Duke Energy Indiana	-	-	-	-	24	1,453	1,477
21	Duke Energy Kentucky	-	-	-	-	-	-	-
22	Duke Energy Ohio	-	-	-	-	-	(233)	(233)
23	Piedmont Natural Gas	-	-	-	-	-	4,542	4,542
24	Duke Energy Progress	-	-	-	-	3,267	(919,254)	(915,987)
25	Duke Energy Florida	-	-	-	-	938	55,521	56,459
26	Service Company Allocation Total (Sum L17 through L25)	\$ -	\$ -	\$ -	\$ -	\$ 153,022	\$ 13,074,517	\$ 13,227,539
27								
28	Percentage split between capital and O&M for allocated					1.1568%	98.8432%	100.0000%
29								
30	Total (L12 + L26)	\$ 2,242,393	\$ 4,704,372	\$ 361,180	\$ 7,307,945	\$ 14,974,895	\$ 65,055,883	\$ 87,338,722
31								
32	Percentage split between capital and O&M for total					18.7114%	81.2886%	100.0000%
33								
34	<u>Summary:</u>							
35	Direct (L12)				\$ 7,307,945	\$ 14,821,873	\$ 51,981,366	\$ 74,111,183
36	Re-assignment of direct 'other' (-L36, Col. (a) x L14)				(7,307,945)	1,621,443	5,686,502	-
37	Allocated (L26)				0	153,022	13,074,517	13,227,539
38	Re-assignment of allocated "other"				-	0	0	(0)
39	Total (Sum L35 through L38)				\$ 0	\$ 16,596,338	\$ 70,742,384	\$ 87,338,722

Source: Duke Energy Corporate Accounting

2019 Target Level of Variable Short Term Pay for Duke Energy Progress

Line No.	Description	Asset	Indirect	Liability	Other Balance Sheet (a)	Capital (b)	O&M (c)	Total (d)
1								
2	<u>Direct Charge:</u>							
3	Duke Energy Commercial Enterprises	\$ -	\$ 86	\$ 38	\$ 125	\$ 110	\$ 3,008	\$ 3,243
4	Duke Energy Business Services	1,957,725	951,343	131,012	3,040,081	2,829,696	7,485,974	13,355,751
5	Duke Energy Carolinas	49,707	125,170	134,323	309,201	1,681,795	3,492,564	5,483,560
6	Duke Energy Indiana	2	-	487	488	12,206	103,201	115,896
7	Duke Energy Kentucky	-	-	-	-	8	8,396	8,404
8	Duke Energy Ohio	-	-	678	678	399	44,550	45,626
9	Piedmont Natural Gas	14	-	1,767	1,781	-	9,106	10,887
10	Duke Energy Progress	234,576	3,622,776	57,692	3,915,043	10,283,443	38,941,620	53,140,107
11	Duke Energy Florida	368	4,997	35,183	40,548	14,215	245,580	300,342
12	Direct Charge Total (Sum L3 through L11)	<u>\$ 2,242,393</u>	<u>\$ 4,704,372</u>	<u>\$ 361,180</u>	<u>\$ 7,307,945</u>	<u>\$ 14,821,873</u>	<u>\$ 50,333,999</u>	<u>\$ 72,463,816</u>
13								
14	Percentage split between capital and O&M for direct charges					22.7483%	77.2517%	100.0000%
15								
16	<u>Service Company Allocation:</u>							
17	Duke Energy Commercial Enterprises	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 274	\$ 274
18	Duke Energy Business Services	-	-	-	-	131,695	10,813,474	10,945,168
19	Duke Energy Carolinas	-	-	-	-	17,099	3,118,741	3,135,839
20	Duke Energy Indiana	-	-	-	-	24	1,453	1,477
21	Duke Energy Kentucky	-	-	-	-	-	-	-
22	Duke Energy Ohio	-	-	-	-	-	(233)	(233)
23	Piedmont Natural Gas	-	-	-	-	-	4,542	4,542
24	Duke Energy Progress	-	-	-	-	3,267	(919,254)	(915,987)
25	Duke Energy Florida	-	-	-	-	938	55,521	56,459
26	Service Company Allocation Total (Sum L17 through L25)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,022</u>	<u>\$ 13,074,517</u>	<u>\$ 13,227,539</u>
27								
28	Percentage split between capital and O&M for allocated					1.1568%	98.8432%	100.0000%
29								
30	Total (L12 + L26)	<u>\$ 2,242,393</u>	<u>\$ 4,704,372</u>	<u>\$ 361,180</u>	<u>\$ 7,307,945</u>	<u>\$ 14,974,895</u>	<u>\$ 63,408,516</u>	<u>\$ 85,691,355</u>
31								
32	Percentage split between capital and O&M for total					19.1047%	80.8953%	100.0000%
33								
34	<u>Summary:</u>							
35	Direct (L12)				\$ 7,307,945	\$ 14,821,873	\$ 50,333,999	\$ 72,463,816
36	Re-assignment of direct 'other' (-L36, Col. (a) x L14)				(7,307,945)	1,662,433	5,645,511	-
37	Allocated (L26)				0	153,022	13,074,517	13,227,539
38	Re-assignment of allocated "other"				(0)	0	0	-
39	Total (Sum L35 through L38)				<u>\$ -</u>	<u>\$ 16,637,328</u>	<u>\$ 69,054,027</u>	<u>\$ 85,691,355</u>

Source: Duke Energy Corporate Accounting

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Normalize O&M labor expenses
For the test period ended December 31, 2018

NC-1310-3
Second Supplemental

Variable Long Term Pay for Duke Energy Progress

Line No.	Description	Total (a)	Performance Awards (b)	Phantom (c)	Restricted Stock Units (d)	Options (e)
1						
2	<u>Stock-Based Compensation - Actuals - 12 Months Ended December 31, 2018</u>					
3						
4	Grand total - gross	\$ 18,456,566	\$ 8,116,997	\$ -	\$ 10,339,568	\$ -
5	Less: capital	1,452,248	214,921	-	1,237,327	-
6	Stock-based compensation, net EBIT	\$ 17,004,317	\$ 7,902,076	\$ -	\$ 9,102,241	\$ -
7						
8						
9	<u>Ongoing Stock-Based Compensation</u>					
10						
11	Grand total - gross	\$ 19,474,900	\$ 7,380,304	\$ -	\$ 12,094,595	\$ -
12	Less: capital	817,473	131,263	-	686,210	-
13	Stock-based compensation, net EBIT	\$ 18,657,427	\$ 7,249,041	\$ -	\$ 11,408,386	\$ -

Note: Totals may not foot due to rounding.

Source: Duke Energy Corporate Accounting

Duke Energy Progress, LLC
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Normalize O&M labor expenses
For the test period ended December 31, 2018

NC-1311
Second Supplemental

Adjustment to Annualize Ernst & Young outside tax services contract

Line No.	Description	Total Company	DEP Allocation		Total DEP
1	E&Y outside tax services in 2019	\$ 7,586,926	23.2600%	[1]	\$ 1,764,719
2	Total costs for E&Y outside tax services in 2018	2,533,332	23.3500%	[2]	591,533
3	Adjustment to annual expense for E&Y outside tax services	\$ 5,053,594			\$ 1,173,186

[1] 2019 Service Company Cost Allocation

[2] 2018 Service Company Cost Allocation

Source - Duke Energy Progress - Corporate Services Business Support

Line No.	Settled Methodology which excludes STIP and LTIP tied to EPS for executives and those who are eligible for LTIP	DEP Amount
	Short Term Incentive Plan (STIP)	
1	Total Company STIP pay accrued expense associated with earnings per share (EPS)	\$ 88,522 [4]
2	% of executives and LTIP eligible employees receiving STIP	6.99% [1]
3	Total Company STIP pay accrued expense associated with earnings per share (EPS) (L1 x L2)	\$ 6,190
4	Total Company STIP accrual	341,536 [4]
5	Percentage of STIP related to EPS (L3 / L4)	1.81%
6	STIP at target level associated with O&M expense per Company, net of Joint Owners	69,054 [2]
7	Adjustment to remove STIP related to EPS outcomes - total system (-L5 x L6)	(1,250)
8	Executive STIP already removed in executive compensation adjustment	9
9	Adjustment to STIP (L9 + L10)	(\$1,241)
10		
11	Long Term Incentive Plan (LTIP)	
12	LTIP Performance Shares associated with EPS and TSR at target, net Joint Owners	\$ 7,249 [3]
13		75% [5]
14	Adjustment to remove LTIP associated with EPS and TSR - total system (-L14)	(5,437)
15	Executive LTIP already removed in executive compensation adjustment	763
16	Adjustment to LTIP (L18 + L19)	(\$4,674)
17		
18	Total adjustment to incentive pay (L11 + L20)	(\$5,915)
19		
20		
21	<u>Based on executive compensation adjustment</u>	
22	STIP for top five executives - DEC, net Joint Owners	\$ 1,019 [1]
23	STIP EPS percentage	1.81%
24	Exclusion percentage	50.00%
25	Executive STIP already removed in executive comp adj	9
26		
27	<u>Based on executive compensation adjustment</u>	
28	LTIP for top five executives - DEC, net Joint Owners	\$ 5,239 [1]
29	LTIP EPS and TSR percentage	29.14% [3]
30	Exclusion percentage	50.00%
31	Executive LTIP already removed in executive comp adj	763

[1] Per Corporate Accounting

[2] Proforma NC-1310-2 - 2019 Target Level of Variable Short Term Pay for Duke Energy Progress

[3] Proforma NC-1310-3 - Variable Long Term Pay for Duke Energy Progress

[4] Per PS Data Request 32-10

[5] Per Dorgan Settlement Exhibit 1, Schedule 3-1(g), line 11

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust for Merger Related Costs
For the test period ended December 31, 2018

NC-1900
Second Supplemental

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expenses, income taxes, depreciation and amortization expense, electric plant in service and accumulated depreciation to remove the impact of Piedmont and Progress merger costs included in the test period and the impacts in other proformas.

The impact to income taxes is determined by multiplying taxable income by the statutory tax rate.

October update

NC-1904 - Updated actuals for July - October 2019.

November update

NC-1904 - Updated actuals for November 2019.

December update

NC-1904 - Updated actuals for December 2019.

January update

NC-1904 - Updated actuals for January 2020 and formula error in April and May to sync to original filing

February update

NC-1904 - Updated actuals for February 2020.

Second Supplemental

NC-1903 and NC-1904 - Updated actuals for May 2020.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust for Merger Related Costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1900
Second Supplemental

Line No.	Description	Source	Total NC Retail		
			Second Supplemental	Application	Change
1					
2	Pro Formas Impacting Income Statement Line Items				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-1901	(4,039)	(4,039)	-
11	Depreciation and amortization	NC-1901	(184)	(172)	(12)
12	General taxes	NC-1901	(53)	(53)	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1901	991	988	3
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(3,285)	(3,276)	(10)
18					
19	Operating income	L4 - L17	\$ 3,285	\$ 3,276	\$ 10
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	Pro Formas Impacting Rate Base Line Items				
27					
28	Electric plant in service	NC-1901	\$ (558)	\$ -	\$ (558)
29	Accumulated depreciation and amortization	NC-1901	402	347	55
30	Electric plant in service, net	Sum L28 through L29	(157)	347	(504)
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ (157)	\$ 347	\$ (504)
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust for Merger Related Costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1901
Second Supplemental

Line No.	Description	Total Utility	NC Retail Allocation	Total NC Retail
1				
2	Remove Merger Cost to Achieve - A&G	\$ (5,594) [1]	66.2120% [2]	\$ (3,704)
3	Remove Merger Cost to Achieve - Customer Accts	(375) [1]	89.2967% [3]	(335)
4	Impact to O&M (L2 + L3)	<u>\$ (5,969)</u>		<u>\$ (4,039)</u>
5				
6	Remove Depreciation related to Merger Transmission Plant	\$ (309) [4]	59.6699% [5]	\$ (184)
7	Impact to Depreciation and Amortization (L6)	<u>\$ (309)</u>		<u>\$ (184)</u>
8				
9	Remove General Taxes	<u>\$ (80) [1]</u>	66.2120% [2]	<u>\$ (53)</u>
10				
11	Statutory tax rate	23.1693% [6]		23.1693%
12	Impact to income taxes ((-L4 - L7 - L9) x L11)	<u>\$ 1,473</u>		<u>\$ 991</u>
13				
14	Impact to operating income (-L4 - L7 - L9 - L12)	<u>\$ 4,885</u>		<u>\$ 3,285</u>
15				
16	<u>Rate Base investment:</u>			
17	Remove Transmission Merger Electric Plant in Service	(936) [4]	59.6699% [5]	\$ (558)
18	Remove Transmission Merger Accumulated Depreciation	673 [4]	59.6699% [5]	402
19	Impact to Rate Base investment (L17 + L18)	<u>\$ (262)</u>		<u>\$ (157)</u>
20				
21	Impact to rate base (L19)	<u>\$ (262)</u>		<u>\$ (157)</u>

[1] NC-1902 - Piedmont Cost to Achieve

[2] NC Retail Allocation Factor - LAB - Company Labor Expense

[3] NC Retail Allocation Factor - C1ALL - Number of Customers

[4] NC-1903 - Progress Cost to Achieve

[5] NC Retail Allocation Factor - DTALL - Transmission Demand

[6] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust for Merger Related Costs
For the test period ended December 31, 2018

NC-1902
Second Supplemental

Piedmont Cost to Achieve

Line No.	Description	Total Utility 12/31/2018
1	0903000 - Cust Records and Collection Exp	\$ 374,792
2	0903200 - Cust Billing and Acct	175
3	0920000 - A and G Salaries	1,215,937
4	0921100 - Employee Expenses	42,052
5	0921200 - Office Expenses	(27,999)
6	0921400 - Computer Services Expenses	35,520
7	0921540 - Computer Rent (Go Only)	26,857
8	0921980 - Office Supplies and Expenses	50,790
9	0923000 - Outside Services Employed	3,975,934
10	0926000 - Empl Pensions and Benefits	319
11	0926600 - Employee Benefits - Transferred	274,045
12	0930200 - Misc General Expenses	359
13	0930250 - Buy\Sell Transf Employee Homes	30
14	0930940 - General Expenses	27
15	0931001 - Rents - AandG	18
16	0935100 - Maint General Plant-Elec	117
17	Total O&M (Sum L1 through L16)	<u>\$ 5,968,973</u>
18		
19	0408960 - Allocated Payroll Taxes	80,126
20		
21	Total General Taxes(L19)	<u>\$ 80,126</u>
22		
23	Total Piedmont Cost to Achieve (L17 + L21)	<u>\$ 6,049,099</u>

[1] Source: Corporate Accounting

Progress Cost to Achieve Impacts

Line No.	Description	Plant in Service 12/31/2018	Current Rate	Calculated Annual Accrual	Actual 12ME Depr Booked	Difference
1	<u>Impact to Income Statement Line Items</u>					
2	Transmission - Gross Projects	\$ 31,094,895 [1]	1.90% [2]	\$ 590,803	287,669	\$ 303,134
3	Transmission Expansion Projects (TEP) - Impairment Projects - Total	<u>(18,560,135) [1]</u>	1.90% [2]	<u>(352,643)</u>	<u>(287,669) [4]</u>	<u>(64,973)</u>
4	Balance in Plant in Service related to TEP (L2 + L3)	\$ 12,534,761		\$ 238,160	\$ -	\$ 238,160
5	Impact of Progress CTA assets to depreciation expense in NC-0802 (L4)					\$ 238,160
6						
7						
8						
9						
10		Plant in Service 12/31/2018	Current Rate	CURRENT Calculated Annual Accrual	PROPOSED Calculated Annual Accrual	Adjustment Amount
11	Transmission - Gross Projects	\$ 31,094,895 [1]	1.90% [2]	\$ 590,803	2.23% [3] \$ 693,416	\$ 102,613
12	Transmission Expansion Projects (TEP) - Impairment Projects - Fully	(15,918,349) [1]	1.90% [2]	(302,449)	2.23% [3] (354,979)	(52,531)
13	Transmission Expansion Projects (TEP) - Impairment Projects - Partially	<u>(2,641,786) [1]</u>	0.00%	-	0.00%	-
14	Balance in Plant in Service related to TEP (L11 + L12 + L13)	\$ 12,534,761		\$ 288,354	\$ 338,437	\$ 50,083
15	Impact of Progress CTA assets to depreciation expense in NC-2602 (L14)					\$ 50,083
16						
17		Actual				
18		Net Change				
19		through				
20		5/31/2020			Proposed Rate	Depr. Exp
21	Electric Plant in Service - Balances	\$ 935,763 [1]			2.23% [3]	\$ 20,868
22	Impact of Progress CTA assets to depreciation expense in NC-1001 (L21)					\$ 20,868
23						
24	Impact to depreciation and amortization (L5 + L15 + L22)					<u>\$ 309,111</u>
25						
26		Actual				
27		Net Change				
28		through				
29		5/31/2020				Adjustment Amount
30	<u>Impact to Rate Base Line Items</u>					
31	Electric Plant in Service - Balances	\$ 935,763 [1]				\$ 935,763
32	Impact of Progress CTA assets to electric plant in service in NC-1002 (L31)					\$ 935,763
33						
34	Impact to electric plant in service (L32)					<u>\$ 935,763</u>
35						
36	Accumulated Depreciation - Balances	\$ (417,378) [1]				\$ (417,378)
37	Impact of Progress CTA assets to accumulated depreciation in NC-1003 (L36)					\$ (417,378)
38						
39						
40		Plant in Service 5/31/2020	Current Rate	Calculated Annual Accrual	12ME Depr Booked	Difference
42	Transmission - Gross Projects	\$ 31,095,026 [1]	1.90% [2]	\$ 590,805	294,620 [1]	\$ 296,186
43	Transmission Expansion Projects (TEP) - Impairment Projects - Total	<u>(17,624,502) [1]</u>	1.90% [2]	<u>(334,866)</u>	<u>(294,620) [1]</u>	<u>(40,246)</u>
44	Balance in Plant in Service related to TEP (L42 + L43)	\$ 13,470,524		\$ 255,940	\$ -	\$ 255,940
45	Impact of Progress CTA assets to accumulated depreciation in NC-1006 (-L44)					\$ (255,940)
46						
47	Impact to accumulated depreciation (L37 + L45)					<u>\$ (673,318)</u>
48						
49	Total net plant (L34 + L47)					<u>\$ 262,445</u>

[1] NC-1904 - Progress Cost to Achieve - Monthly Amounts

[2] NC-0802 - Adjustment to Annualize Depreciation Expense at December 31, 2018

[3] NC-2602 - Comparison of Current and Proposed Depreciation as of December 31, 2018

[4] Provided by Asset Accounting

[5] Electric plant in service and accumulated depreciation balances at 12/31/2018 related to the Transmission Expansion Projects are excluded in COSS in lines TRANSMISSION PLANT - FERC MIT REL and DPR TRANS RELATED - FERC MIT REL.

Progress Cost to Achieve - Monthly Amount

Line No.	Description	ACTUALS [1]																		Net Change s = r - a
		Dec 2018 a	Jan 2019 b	Feb 2019 c	Mar 2019 d	Apr 2019 e	May 2019 f	Jun 2019 g	Jul 2019 h	Aug 2019 i	Sep 2019 j	Oct 2019 k	Nov 2019 l	Dec 2019 m	Jan 2020 n	Feb 2020 o	Mar 2020 p	Apr 2020 q	May 2020 r	
2	Electric Plant in Service - Balance																			
3	Transmission - Gross Projects	\$ 31,094,895	\$ 31,094,895	\$ 31,095,028	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 31,095,026	\$ 131
4	Transmission Expansion Projects (TEP) - Impairment Projects - Full	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	(15,918,349)	-
5	Transmission Expansion Projects (TEP) - Impairment Projects - Partial	(2,641,786)	(2,586,748)	(2,531,711)	(2,476,674)	(2,421,637)	(2,366,600)	(2,311,562)	(2,256,525)	(2,201,488)	(2,146,451)	(2,091,413)	(2,036,376)	(1,981,339)	(1,926,302)	(1,871,265)	(1,816,228)	(1,761,190)	(1,706,153)	935,632
6	Balance in Plant in Service related to Transmission Expansion Projects (TEI)	\$ 12,534,761	\$ 12,589,798	\$ 12,644,967	\$ 12,700,003	\$ 12,755,040	\$ 12,810,077	\$ 12,865,115	\$ 12,920,152	\$ 12,975,189	\$ 13,030,226	\$ 13,085,264	\$ 13,140,301	\$ 13,195,338	\$ 13,250,375	\$ 13,305,412	\$ 13,360,449	\$ 13,415,487	\$ 13,470,524	\$ 935,763
7																				
8	Accumulated Depreciation - Balance																			
9	Accumulated Depreciation related to Transmission Expansion Projects (TEI)	\$ (1,278,080)	\$ (1,302,632)	\$ (1,327,184)	\$ (1,351,735)	\$ (1,376,287)	\$ (1,400,839)	\$ (1,425,390)	\$ (1,449,942)	\$ (1,474,494)	\$ (1,499,045)	\$ (1,523,597)	\$ (1,548,148)	\$ (1,572,700)	\$ (1,597,252)	\$ (1,621,803)	\$ (1,646,355)	\$ (1,670,907)	\$ (1,695,458)	\$ (417,378)
10																				
11	Depreciation Expense - Activity																			
12	Depreciation Expense on Gross Project	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552	\$ 24,552
13	Amortization of Impairmen	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)	(24,552)
14	Depreciation Expense related to Transmission Expansion Projects (TEI)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

[1] Actual amounts provided by Duke Energy Progress - Asset Accounting

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018

NC-2200
Second Supplemental

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro-forma adjusts income taxes to reflect the tax impact that results from annualizing interest expense based on the end-of-period, adjusted rate base.

The impact to income taxes was determined as follows:

First, multiply rate base after all pro-forma adjustments have been made by the long-term debt ratio to calculate an adjusted long-term debt balance. Second, multiply the adjusted long-term debt balance by the end of year cost of long-term debt to calculate annualized interest expense. Third, subtract interest expense incurred during the test period from annualized interest expense and multiply the difference by the statutory tax rate.

NC-2200
Second Supplemental

Line No.	Description	Source	Second Supplemental	April	Total NC Retail Partial Settlement	Application	Change
1							
2	Pro Formas Impacting Income Statement Line Items						
3							
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -
5							
6	Electric operating expenses:						
7	Operation and maintenance						
8	Fuel used in electric generation		-	-	-	-	-
9	Purchased power		-	-	-	-	-
10	Other operation and maintenance expense		-	-	-	-	-
11	Depreciation and amortization		-	-	-	-	-
12	General taxes		-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-
14	Income taxes	NC-2201	3,081	3,324	3,704	123	2,959
15	Amortization of investment tax credit		-	-	-	-	-
16							
17	Total electric operating expenses	Sum L8 through L15	3,081	3,324	3,704	123	2,959
18							
19	Operating income	L4 - L17	\$ (3,081)	\$ (3,324)	\$ (3,704)	\$ (123)	\$ (2,959)
20							
21	Notes:						
22	Revenue: positive number increases revenue / negative number decreases revenue						
23	Expense: positive number increases expense / negative number decreases expense						
24							
25							
26	Pro Formas Impacting Rate Base Line Items						
27							
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization		-	-	-	-	-
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-
31							
32	Add:						
33	Materials and supplies		-	-	-	-	-
34	Working capital investment		-	-	-	-	-
35							
36							
37	Less:						
38	Accumulated deferred taxes		-	-	-	-	-
39	Operating reserves		-	-	-	-	-
40							
41							
42	Construction work in progress		-	-	-	-	-
43							
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -
45							
46	Note:						
47	Rate Base: positive number increases rate base / negative number decreases rate base						

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2201
Second Supplemental

Line No.	Description	Total System Col [a]	NC Retail Allocation Col [b]	Total NC Retail Col [c]
1				
2	Rate base before pro forma adjustments	\$ 14,580,739 [1]	67.6169% [2]	\$ 9,859,050 [1]
3				
4	Pro forma rate base before working capital adjustment	\$ 15,196,169 [3]		\$ 10,275,185
5				
6	Long-term debt ratio	47.0000% [4]		47.0000% [4]
7	Calculated long-term debt (L4 x L6)	\$ 7,142,200		\$ 4,829,337
8				
9	End of year cost of long-term debt	4.1074% [4]		4.1074% [4]
10	Annualized interest expense (L7 x L9)	\$ 293,361		\$ 198,362
11				
12	Incurred interest expense	315,466 [5]	67.0949% [6]	211,661
13	Less interest on customer deposits	(8,643) [7]		(7,971) [7]
14	Net interest expense	306,823		203,690
15				
16	Increase / <decrease> to interest costs (L10 - L14)	\$ (13,462)		\$ (13,300)
17				
18	Statutory tax rate	23.1693% [8]		23.1693% [8]
19	Impact to income taxes (-L16 x L18)	\$ 3,119		\$ 3,081
20				
21	Impact to operating income (-L19)	\$ (3,119)		\$ (3,081)

[1] Smith Exhibit 1, Page 1, Line 12

[2] NC Retail Allocation Factor - Calculation: L2, Col [c] / L2, Col [a]

[3] Calculation: L4, Col [c] / L2, Col [b]

[4] Smith Exhibit 1, Page 2, Line 1

[5] Cost of Service, E-1 Item 45a, Total Other Interest Expense, Line 702

[6] NC Retail Allocation Factor - Net Book Plant

[7] Smith Exhibit 1, Page 1, Line 7

[8] NC-0104 - 2019 Tax Rate, Line 10

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

NC-2300
Second Supplemental

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro forma adjusts cash working capital to incorporate the impact of the other pro forma adjustments. It also calculates the additional cash working capital required as a result of the proposed increase in rates. The adjustment is in accordance with the Commission's March 21, 2016 order in Docket No. M-100 Sub 137.

October Update

Reflects changes for October updates to actuals

November Update

Reflects changes for November actuals

December Update

Reflects changes for December actuals

January Update

Reflects changes for January 2020 actuals

February Update

Reflects changes for February 2020 actuals and revised E&Y Lead Lag Study

Settlement Update

Reflects changes for settlement adjustments flowing from other proformas

Second Supplemental

Reflects changes for May 2020 actuals

45
46 Note:
47 Rate Base: positive number increases rate base / negative number decreases rate base

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Second Supplemental

Line No.	Description	NC Retail					Weighted Lead Lag Days
		Financials		Iteration 1			
		Adjusted with CWC (a)	Revenue Increase (b) = (c) - (a)	Adjusted w/Increase (c) = (n)	Increase (d) = (e) - (a)	With Increase (e) = (a) + (d)	(f)
1	Total Adjusted Present Revenue	\$ 3,352,725 [1]					42.09 [1]
2	Revenue Increase (L3)	-	438,210		433,164		41.88 [7]
3	Revenues	3,352,725	438,210	3,790,935	433,164	3,785,889	42.06 [8]
4	[Solved Through Iterative Process to Produce Target ROR] (L23 + L25)						
5	Operating Expenses:						
6	Fuel Used in Electric Generation	847,006 [1]	-	847,006		847,006	28.49 [1]
7	Purchased Power	156,798 [1]	-	156,798		156,798	33.44 [1]
8							
9	Operation & Maintenance Expense	863,478 [1]					37.39 [1]
10	Revenue Increase (L11)		1,617		1,599		37.32 [7]
11	Operation and Maintenance Expense with Increase	863,478	1,617	865,095	1,599 [3]	865,077	37.39 [8]
12							
13	Total Adjusted Depreciation and Amortization	917,713 [1]	-	917,713		917,713	0.00 [1]
14	Total Adjusted General Taxes	104,578 [1]	-	104,578		104,578	138.26 [1]
15	Total Adjusted Interest on Customer Deposits	7,971 [1]	-	7,971		7,971	137.50 [1]
16							
17	Net Income Taxes	63,069 [1]					0.06 [1]
18	Revenue Increase (L19)		100,907		99,991		-20.60 [7]
19	Income Taxes with Increase	63,069	100,907	163,976	99,991 [4]	163,060	-12.61 [8]
20							
21	EDIT Amortization	(30,548) [1]	-	(30,548)		(30,548)	0.00 [1]
22	Amortization of Investment Tax Credit	(3,614) [1]	-	(3,614)		(3,614)	0.00 [1]
23	Total Operating Expense (L6+L7+L11+L13+L14+L15+L19+L22)	2,926,452	102,524	3,028,975	101,589	3,028,041	24.84 [9]
24							
25	Income for Return (L3 - L23)	426,273	335,686	761,960	331,575	757,848 [5]	22.91 [9]
26	Interest Expense	197,987 [1]	1,074	199,061	-	197,987 [6]	87.70 [1]
27	Return for Equity (L25 - L26)	228,287	334,612	562,899	331,575	559,862	0.00 [1]
28							
29	Total Requirement (L23 + L25 = L3)	\$ 3,352,725		\$ 3,790,935		\$ 3,785,889	24.45 [9]
30							
31	Rate Base	\$ 10,255,755 [1]	\$ 55,637	\$ 10,311,392		\$ 10,255,755	
32	[CWC Solved for Through Iterative Process]						
33	Overall Rate of Return (L25 / L31)	4.16%		7.39%		7.39%	
34	Target Rate of Return	7.39% [2]		7.39% [2]		7.39% [2]	
35							
36							
37	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Revenue Increase	Adjusted w/Increase			
38	Annual Requirement (L3 and/or L29)	\$ 3,352,725		\$ 3,790,935		\$ 3,785,889	
39	Daily Requirement (L38 / 365 Days)	\$ 9,186		\$ 10,386		\$ 10,372	
40	Net Lag Days	13.87 [1]		17.62		17.61	
41							
42	Est. CWC Req. Before Sales Tax Requirement (L39 x L40)	\$ 127,371	\$ 55,637	\$ 183,008	\$ 55,269	\$ 182,639	
43	Add: Working Capital Related to NC Sales Tax	\$ 4,760 [1]		\$ 4,760 [1]			
44	Total Cash Working Capital Requirements (L42 + L43)	\$ 132,130	\$ 55,637	\$ 187,768			

Notes

- [1] NC-2302, Adjustment to cash working capital for present revenue annualized
[2] NC-2304, Total ROR
[3] Reg fee x revenue requirement
[4] L27 / (1 - Tax Rate) - L27
[5] Line 31 x Rate of Return
[6] Rate Base x Debt Rate x Debt Ratio
[7] Docket No. E-2, Sub 1219, E-1 Item 14, Lead Lag
[8] Calculation of Average Lead/Lag Day
[9] New weighted averages are calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Second Supplemental

Line No.	Description	Financials		NC Retail		Weighted Lead Lag Days
		Adjusted with CWC (a)	Revenue Increase (b) = (c) - (a)	Adjusted w/Increase (c) = (n)	With Increase (g) = (h) - (e)	
1	Total Adjusted Present Revenue	\$ 3,352,725 [1]				42.09 [1]
2	Revenue Increase (L3)	-	438,210		5,012	41.88 [7]
3	Revenues	3,352,725	438,210	3,790,935	5,012	42.06 [8]
4	[Solved Through Iterative Process to Produce Target ROR] (L23 + L25)					
5	Operating Expenses:					
6	Fuel Used in Electric Generation	847,006 [1]	-	847,006		28.49 [1]
7	Purchased Power	156,798 [1]	-	156,798		33.44 [1]
8						
9	Operation & Maintenance Expense	863,478 [1]				37.39 [1]
10	Revenue Increase (L11)		1,617		18	37.32 [7]
11	Operation and Maintenance Expense with Increase	863,478	1,617	865,095	18 [3]	37.39 [8]
12						
13	Total Adjusted Depreciation and Amortization	917,713 [1]	-	917,713		0.00 [1]
14	Total Adjusted General Taxes	104,578 [1]	-	104,578		138.26 [1]
15	Total Adjusted Interest on Customer Deposits	7,971 [1]	-	7,971		137.50 [1]
16						
17	Net Income Taxes	63,069 [1]				0.06 [1]
18	Revenue Increase (L19)		100,907		910	-20.60 [7]
19	Income Taxes with Increase	63,069	100,907	163,976	910 [4]	-12.65 [8]
20						
21	EDIT Amortization	(30,548) [1]	-	(30,548)		0.00 [1]
22	Amortization of Investment Tax Credit	(3,614) [1]	-	(3,614)		0.00 [1]
23	Total Operating Expense (L6+L7+L11+L13+L14+L15+L19+L22)	2,926,452	102,524	3,028,975	928	24.83 [9]
24						
25	Income for Return (L3 - L23)	426,273	335,686	761,960	4,084	22.91 [9]
26	Interest Expense	197,987 [1]	1,074	199,061	1,067	87.70 [1]
27	Return for Equity (L25 - L26)	228,287	334,612	562,899	3,017	0.00 [1]
28						
29	Total Requirement (L23 + L25 = L3)	\$ 3,352,725		\$ 3,790,935		24.44 [9]
30						
31	Rate Base	\$ 10,255,755 [1]	\$ 55,637	\$ 10,311,392	\$ 55,269	
32	[CWC Solved for Through Iterative Process]					
33	Overall Rate of Return (L25 / L31)	4.16%		7.39%		7.39%
34	Target Rate of Return	7.39% [2]		7.39% [2]		7.39% [2]
35						
36						
37	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Revenue Increase	Adjusted w/Increase		
38	Annual Requirement (L3 and/or L29)	\$ 3,352,725		\$ 3,790,935	\$ 3,790,902	
39	Daily Requirement (L38 / 365 Days)	\$ 9,186		\$ 10,386	\$ 10,386	
40	Net Lag Days	13.87 [1]		17.62	17.62	
41						
42	Est. CWC Req. Before Sales Tax Requirement (L39 x L40)	\$ 127,371	\$ 55,637	\$ 183,008	\$ 366	\$ 183,006
43	Add: Working Capital Related to NC Sales Tax	\$ 4,760 [1]		\$ 4,760 [1]		
44	Total Cash Working Capital Requirements (L42 + L43)	\$ 132,130	\$ 55,637	\$ 187,768		

Notes

- [1] NC-2302, Adjustment to cash working capital for present revenue annualized
[2] NC-2304, Total ROR
[3] Reg fee x revenue requirement
[4] L27 / (1 - Tax Rate) - L27
[5] Line 31 x Rate of Return
[6] Rate Base x Debt Rate x Debt Ratio
[7] Docket No. E-2, Sub 1219, E-1 Item 14, Lead Lag
[8] Calculation of Average Lead/Lag Day
[9] New weighted averages are calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Second Supplemental

Line No.	Description	Financials		NC Retail		Weighted Lead Lag Days	
		Adjusted with CWC (a)	Revenue Increase (b) = (c) - (a)	Adjusted w/Increase (c) = (n)	Increase (j) = (k) - (h)	With Increase (k) = (h) + (j)	
1	Total Adjusted Present Revenue	\$ 3,352,725 [1]					42.09 [1]
2	Revenue Increase (L3)	-	438,210		33		41.88 [7]
3	Revenues	3,352,725	438,210	3,790,935	33	3,790,935	42.06 [8]
4	[Solved Through Iterative Process to Produce Target ROR] (L23 + L25)						
5	Operating Expenses:						
6	Fuel Used in Electric Generation	847,006 [1]	-	847,006		847,006	28.49 [1]
7	Purchased Power	156,798 [1]	-	156,798		156,798	33.44 [1]
8							
9	Operation & Maintenance Expense	863,478 [1]					37.39 [1]
10	Revenue Increase (L11)		1,617		0	19	37.32 [7]
11	Operation and Maintenance Expense with Increase	863,478	1,617	865,095	0 [3]	865,095	37.39 [8]
12							
13	Total Adjusted Depreciation and Amortization	917,713 [1]	-	917,713		917,713	0.00 [1]
14	Total Adjusted General Taxes	104,578 [1]	-	104,578		104,578	138.26 [1]
15	Total Adjusted Interest on Customer Deposits	7,971 [1]	-	7,971		7,971	137.50 [1]
16							
17	Net Income Taxes	63,069 [1]					0.06 [1]
18	Revenue Increase (L19)		100,907		6		-20.60 [7]
19	Income Taxes with Increase	63,069	100,907	163,976	6 [4]	163,976	-12.65 [8]
20							
21	EDIT Amortization	(30,548) [1]	-	(30,548)		(30,548)	0.00 [1]
22	Amortization of Investment Tax Credit	(3,614) [1]	-	(3,614)		(3,614)	0.00 [1]
23	Total Operating Expense (L6+L7+L11+L13+L14+L15+L19+L22)	2,926,452	102,524	3,028,975	6	3,028,975	24.83 [9]
24							
25	Income for Return (L3 - L23)	426,273	335,686	761,960	27	761,959 [5]	22.91 [9]
26	Interest Expense	197,987 [1]	1,074	199,061	7	199,061 [6]	87.70 [1]
27	Return for Equity (L25 - L26)	228,287	334,612	562,899	20	562,899	0.00 [1]
28							
29	Total Requirement (L23 + L25 = L3)	\$ 3,352,725		\$ 3,790,935		\$ 3,790,935	24.44 [9]
30							
31	Rate Base	\$ 10,255,755 [1]	\$ 55,637	\$ 10,311,392	\$ 366	\$ 10,311,390	
32	[CWC Solved for Through Iterative Process]						
33	Overall Rate of Return (L25 / L31)	4.16%		7.39%		7.39%	
34	Target Rate of Return	7.39% [2]		7.39% [2]		7.39% [2]	
35							
36							
37	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Revenue Increase	Adjusted w/Increase			
38	Annual Requirement (L3 and/or L29)	\$ 3,352,725		\$ 3,790,935		\$ 3,790,935	
39	Daily Requirement (L38 / 365 Days)	\$ 9,186		\$ 10,386		\$ 10,386	
40	Net Lag Days	13.87 [1]		17.62		17.62	
41							
42	Est. CWC Req. Before Sales Tax Requirement (L39 x L40)	\$ 127,371	\$ 55,637	\$ 183,008	\$ 2	\$ 183,008	
43	Add: Working Capital Related to NC Sales Tax	\$ 4,760 [1]		\$ 4,760 [1]			
44	Total Cash Working Capital Requirements (L42 + L43)	\$ 132,130	\$ 55,637	\$ 187,768			

Notes

- [1] NC-2302, Adjustment to cash working capital for present revenue annualized
[2] NC-2304, Total ROR
[3] Reg fee x revenue requirement
[4] L27 / (1 - Tax Rate) - L27
[5] Line 31 x Rate of Return
[6] Rate Base x Debt Rate x Debt Ratio
[7] Docket No. E-2, Sub 1219, E-1 Item 14, Lead Lag
[8] Calculation of Average Lead/Lag Day
[9] New weighted averages are calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Second Supplemental

		NC R4		NC Retail			
		Financials		Iteration 4			
Line No.	Description	Adjusted with CWC (a)	Revenue Increase (b) = (c) - (a)	Adjusted w/Increase (c) = (n)	Increase (m) = (n) - (k)	With Increase (n) = (k) + (m)	Weighted Lead Lag Days (o)
1	Total Adjusted Present Revenue	\$ 3,352,725 [1]					42.09 [1]
2	Revenue Increase (L3)	-	438,210		0		41.88 [7]
3	Revenues	3,352,725	438,210	3,790,935	0	3,790,935	42.06 [8]
4	[Solved Through Iterative Process to Produce Target ROR] (L23 + L25)						
5	Operating Expenses:						
6	Fuel Used in Electric Generation	847,006 [1]	-	847,006		847,006	28.49 [1]
7	Purchased Power	156,798 [1]	-	156,798		156,798	33.44 [1]
8							
9	Operation & Maintenance Expense	863,478 [1]					37.39 [1]
10	Revenue Increase (L11)		1,617		0	19	37.32 [7]
11	Operation and Maintenance Expense with Increase	863,478	1,617	865,095	0 [3]	865,095	37.39 [8]
12							
13	Total Adjusted Depreciation and Amortization	917,713 [1]	-	917,713		917,713	0.00 [1]
14	Total Adjusted General Taxes	104,578 [1]	-	104,578		104,578	138.26 [1]
15	Total Adjusted Interest on Customer Deposits	7,971 [1]	-	7,971		7,971	137.50 [1]
16							
17	Net Income Taxes	63,069 [1]					0.06 [1]
18	Revenue Increase (L19)		100,907		0		-20.60 [7]
19	Income Taxes with Increase	63,069	100,907	163,976	0 [4]	163,976	-12.65 [8]
20							
21	EDIT Amortization	(30,548) [1]	-	(30,548)		(30,548)	0.00 [1]
22	Amortization of Investment Tax Credit	(3,614) [1]	-	(3,614)		(3,614)	0.00 [1]
23	Total Operating Expense (L6+L7+L11+L13+L14+L15+L19+L22)	2,926,452	102,524	3,028,975	0	3,028,975	24.83 [9]
24							
25	Income for Return (L3 - L23)	426,273	335,686	761,960	0	761,960 [5]	22.91 [9]
26	Interest Expense	197,987 [1]	1,074	199,061	0	199,061 [6]	87.70 [1]
27	Return for Equity (L25 - L26)	228,287	334,612	562,899	0	562,899	0.00 [1]
28							
29	Total Requirement (L23 + L25 = L3)	\$ 3,352,725		\$ 3,790,935		\$ 3,790,935	24.44 [9]
30							
31	Rate Base	\$ 10,255,755 [1]	\$ 55,637	\$ 10,311,392	\$ 2	\$ 10,311,392	
32	[CWC Solved for Through Iterative Process]						
33	Overall Rate of Return (L25 / L31)	4.16%		7.39%		7.39%	
34	Target Rate of Return	7.39% [2]		7.39% [2]		7.39% [2]	
35							
36							
37	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Revenue Increase	Adjusted w/Increase			
38	Annual Requirement (L3 and/or L29)	\$ 3,352,725		\$ 3,790,935			
39	Daily Requirement (L38 / 365 Days)	\$ 9,186		\$ 10,386			
40	Net Lag Days	13.87 [1]		17.62			
41							
42	Est. CWC Req. Before Sales Tax Requirement (L39 x L40)	\$ 127,371	\$ 55,637	\$ 183,008			
43	Add: Working Capital Related to NC Sales Tax	\$ 4,760 [1]		\$ 4,760 [1]			
44	Total Cash Working Capital Requirements (L42 + L43)	\$ 132,130	\$ 55,637	\$ 187,768			

Notes

- [1] NC-2302, Adjustment to cash working capital for present revenue annualized
[2] NC-2304, Total ROR
[3] Reg fee x revenue requirement
[4] L27 / (1 - Tax Rate) - L27
[5] Line 31 x Rate of Return
[6] Rate Base x Debt Rate x Debt Ratio
[7] Docket No. E-2, Sub 1219, E-1 Item 14, Lead Lag
[8] Calculation of Average Lead/Lag Day
[9] New weighted averages are calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2302
Second Supplemental

		NC Retail							Lead Lag Days						
		Financials													
						Adjusted Before Change in CWC		Change in CWC	Adjusted with CWC				Adjusted Before Increase		
Line No.	Description	Per Books (a)	[1]	Adjustments (b)	[3]	(c) = (a) + (b)	[3]	(d)	(e) = (c) + (d)	Per Books (f)	[1]	Adjustments (g)	[1]	(h) = (f) + (g)	[6]
1	Rate Schedule Revenue														
2	Rate Revenues	\$ 3,575,788				\$ 3,575,788				41.88				41.88	
3	Total Revenue Lag Sales for Resale	134,915				134,915				33.73				33.73	
4	Provisions For Rate Refunds	(104,546)				(104,546)				41.88				41.88	
5	Forfeited Discounts	7,664				7,664				72.30				72.30	
6	Miscellaneous Revenues	5,506				5,506				76.00				76.00	
7	RENT - (454) - DIST PLT REL	4,466				4,466				41.63				41.63	
8	RENT - (454) - DIST POLE RENTAL REV	10,901				10,901				182.00				182.00	
9	RENT - (454) - TRANS PLT REL	382				382				41.63				41.63	
10	RENT - (454) - ADD FAC - WHLS	-				-				0.00				0.00	
11	RENT - (454) - ADD FAC - RET X LIGHTING	4,617				4,617				41.63				41.63	
12	RENT - (454) - ADD FAC - LIGHTING	3,849				3,849				41.63				41.63	
13	RENT - (454) - OTHER	3,413				3,413				68.21				68.21	
14	OTHER ELEC REV (456) - PROD PLT REL	10,549				10,549				41.88				41.88	
15	NC-0100 Annualize Retail revenues for current rates			(201,667)		(201,667)						41.88		41.88	
16	NC-0300 Normalize for weather			(72,510)		(72,510)						41.88		41.88	
17	NC-0400 Annualize revenues for customer growth			(10,443)		(10,443)						41.88		41.88	
18	NC-0500 Eliminate unbilled revenues			11,826		11,826						41.88		41.88	
19	NC-0600 Adjust costs recovered through non-fuel riders			(27,830)		(27,830)						41.88		41.88	
20	NC-2900 Storm Deferral NC FMD			-		-						41.88		41.88	
21	NC-3000 Adjust Other Revenue			(4,155)		(4,155)						98.96		98.96	
22	Rounding			-		-						41.88		41.88	
23	Revenue - Adjustments (Sum Lines 15 through 22)	-		(304,779)		(304,779)									
24															
25	Total Adjusted Revenue (L2 + L23)	\$ 3,657,503		\$ (304,779)		\$ 3,352,725		\$ -	\$ 3,352,725	42.13		(0.05)		42.09	
26															
27	Operating Expenses:														
28	Fuel Used in Electric Generation														
29	OM Prod Energy - Fuel	\$ 863,120				\$ 863,120				28.49				28.49	
30	RECS Consumption Expense	18,522				18,522				28.49				28.49	
31	NC-0200 Update fuel costs to approved rate			11,436		11,436						28.49		28.49	
32	NC-0300 Normalize for weather			(20,432)		(20,432)						28.49		28.49	
33	NC-0400 Annualize revenues for customer growth			(7,118)		(7,118)						28.49		28.49	
34	NC-0600 Adjust costs recovered through non-fuel riders			(18,522)		(18,522)						28.49		28.49	
35	NC-2900 Storm Deferral NC FMD			-		-						28.49		28.49	
36	Rounding			-		-						28.49		28.49	
37	Fuel Used in Electric Generation - Adjustments (Sum Lines 31 through 36)	-		(34,636)		(34,636)									
38															
39	Total Adjusted Fuel Used in Electric Generation (L29 + L37)	\$ 881,642		\$ (34,636)		\$ 847,006		\$ -	\$ 847,006	28.49		0.00		28.49	
40															
41	Purchased Power														
42	OM PROD PURCHASES - CAPACITY COST	\$ 67,280				\$ 67,280				30.29				30.29	
42	OM PROD PURCHASES - ENERGY COST	365,384				365,384				30.29				30.29	
43	OM DEFERRED FUEL EXPENSE	(273,901)				(273,901)				28.49				28.49	
43	NC-3500 Adjust purchased power			(1,965)		(1,965)						30.29		30.29	
44	Rounding			-		-									
45	Purchased Power - Adjustments (Sum Lines 43 through 44)	-		(1,965)		(1,965)									
46															
47	Total Adjusted Purchased Power (L42 + L45)	\$ 158,763		\$ (1,965)		\$ 156,798		\$ -	\$ 156,798	33.40		0.04		33.44	
48															

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2302
Second Supplemental

		NC Retail													
		Financials							Lead Lag Days						
Line No.	Description	Per Books (a)	[1]	Adjustments (b)	[3]	Adjusted Before Change in CWC (c) = (a) + (b)	[3]	Change in CWC (d)	Adjusted with CWC (e) = (c) + (d)	Per Books (f)	[1]	Adjustments (g)	[1]	Adjusted Before Increase (h) = (f) + (g)	[6]
49	Operation & Maintenance Expense														
50	Total Labor Expense	\$ 430,295				\$ 430,295				37.07				37.07	
46	Pension and Benefits	76,271				76,271				13.97				13.97	
47	Regulatory Commission Expense	7,038				7,038				93.25				93.25	
48	Property Insurance	(526)				(526)				(222.30)				(222.30)	
49	Injuries & Damages - Workman's Compensation	197				197				0.00				0.00	
50	Uncollectible Accounts	8,937				8,937				0.00				0.00	
51	Remaining Other Oper & Maint Expense	528,607				528,607				40.52				40.52	
51	NC-0100 Annualize Retail revenues for current rates			(744)		(744)						37.32		37.32	
52	NC-0200 Update fuel costs to approved rate			-		-						37.32		37.32	
53	NC-0300 Normalize for weather			(268)		(268)						37.32		37.32	
54	NC-0400 Annualize revenues for customer growth			(39)		(39)						37.32		37.32	
55	NC-0600 Adjust costs recovered through non-fuel riders			(136,143)		(136,143)						37.32		37.32	
56	NC-0700 Adjust O&M for executive compensation			(2,560)		(2,560)						37.07		37.07	
57	NC-1200 Annualize O&M non-labor expenses			2,345		2,345						33.30		33.30	
58	NC-1300 Normalize O&M labor expenses			(19,235)		(19,235)						37.07		37.07	
59	NC-1400 Update benefits costs			(6,358)		(6,358)						13.97		13.97	
60	NC-1500 Levelize nuclear refueling outage costs			(6,190)		(6,190)						40.52		40.52	
61	NC-1600 Amortize rate case costs			701		701						0.00		0.00	
62	NC-1700 Adjust aviation expenses			(1,657)		(1,657)						37.32		37.32	
63	NC-1800 Adjust for approved regulatory assets and liabilities			1,603		1,603						0.00		0.00	
64	NC-1900 Adjust for Merger Related Costs			(4,039)		(4,039)						37.32		37.32	
65	NC-2000 Amortize Severance Costs			(24,140)		(24,140)						37.07		37.07	
66	NC-2500 Adjust for credit card fees			5,269		5,269						40.52		40.52	
67	NC-2700 Adjust vegetation management expenses			5,757		5,757						40.52		40.52	
68	NC-2900 Storm Deferral NC			-		-						37.32		37.32	
69	NC-3000 Adjust Other Revenue			(5)		(5)						37.32		37.32	
70	NC-3100 Adjust for change in NCUC Reg Fee			(234)		(234)						93.25		93.25	
71	NC-3200 Reflect retirement of Asheville Steam Generating Plant			(6,413)		(6,413)						37.32		37.32	
72	NC-3300 Adjust for CertainTeed payment Obligation			-		-						37.32		37.32	
73	NC-3400 Amortize deferred balance Asheville Combined Cycle			(1,459)		(1,459)						37.32		37.32	
74	NC-3700 Remove certain Settlement Items			(2,834)		(2,834)						37.32		37.32	
75	NC-3900 Normalize for storm costs			9,300		9,300						37.32		37.32	
76	Rounding			-		-									
77	Operation & Maintenance Expense - Adjustments (Sum Lines 51 through 72)	-		(187,341)		(187,341)									
78															
79	Total Adjusted Operation & Maintenance Expense (L50 + L77)	\$ 1,050,819		\$ (187,341)		\$ 863,478		\$ -	\$ 863,478	37.32		0.08		37.39	
80															
81	Depreciation and Amortization	\$ 669,787				\$ 669,787				0.00				0.00	
82	NC-0200 Update fuel costs to approved rate			-		-						0.00		0.00	
83	NC-0600 Adjust costs recovered through non-fuel riders			(58,446)		(58,446)						0.00		0.00	
84	NC-0800 Annualize Depreciation on year end plant balances			41,407		41,407						0.00		0.00	
85	NC-1000 Adjust for post test year additions to plant in service			68,269		68,269						0.00		0.00	
86	NC-1100 Amortize deferred environmental costs			96,023		96,023						0.00		0.00	
87	NC-1800 Adjust for approved regulatory assets and liabilities			(3,479)		(3,479)						0.00		0.00	
88	NC-1900 Adjust for Merger Related Costs			(184)		(184)						0.00		0.00	
89	NC-2600 Adjust for Depreciation for new rates			88,728		88,728						0.00		0.00	
90	NC-2800 Adjust reserve for end of life nuclear costs			(1,917)		(1,917)						0.00		0.00	
91	NC-2900 Storm Deferral			(1,645)		(1,645)						0.00		0.00	
92	NC-3200 Reflect retirement of Asheville Steam Generating Plant			10,201		10,201						0.00		0.00	
93	NC-3400 Amortize deferred balance Asheville Combined Cycle			8,970		8,970						0.00		0.00	
95	Rounding			-		-									
96	Depreciation and Amortization - Adjustments (Sum Lines 82 through 95)	-		247,926		247,926									
97															
98	Total Adjusted Depreciation and Amortization (L81 + L96)	\$ 669,787		\$ 247,926		\$ 917,713		\$ -	\$ 917,713	0.00		0.00		0.00	
99															

Duke Energy Progress, LLC
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Adjust cash working capital for present revenue annualized and proposed revenue
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		NC Retail						Lead Lag Days							
		Financials													
Line No.	Description	Per Books (a)	[1]	Adjustments (b)	[3]	Adjusted Before Change in CWC (c) = (a) + (b)	[3]	Change in CWC (d)	Adjusted with CWC (e) = (c) + (d)	Per Books (f)	[1]	Adjustments (g)	[1]	Adjusted Before Increase (h) = (f) + (g)	[6]
100	General Taxes														
101	Payroll Taxes	\$ 26,288				\$ 26,288				48.41				48.41	
102	Property Tax	68,133				68,133				186.50				186.50	
103	FED HEAVY VEHICLE USE TAX	48				48				0.00				0.00	
104	ELECTRIC EXCISE TAX - SC	-				-				0.00				0.00	
105	PRIVILEGE TAX	12,244				12,244				(11.97)				(11.97)	
106	MISC TAX - NC	(4,517)				(4,517)				60.00				60.00	
107	MISC TAX - SC & OTHER STATES	1				1				129.46				129.46	
108	PUC LICENSE TAX - SC	-				-				0.00				0.00	
109	NC-0600 Adjust costs recovered through non-fuel riders			(6,458)		(6,458)						137.26		137.26	
110	NC-0900 Annualize property taxes on year end plant balances			4,064		4,064						186.50		186.50	
111	NC-1000 Adjust for post test year additions to plant in service			5,750		5,750						186.50		186.50	
112	NC-1300 Normalize O&M labor expenses			(909)		(909)						48.41		48.41	
113	NC-1700 Adjust aviation expenses			(18)		(18)						48.41		48.41	
114	NC-1800 Adjust for approved regulatory assets and liabilities			5		5						48.41		48.41	
115	NC-1900 Adjust for Merger Related Costs			(53)		(53)						48.41		48.41	
116	NC-3200 Reflect retirement of Asheville Steam Generating Plant			-		-						186.50		186.50	
118	Rounding			-		-									
119	General Taxes - Adjustments (Sum Lines 109 through 118)	-		2,381		2,381									
120															
121	Total Adjusted General Tax (L101 + L119)	\$ 102,197		\$ 2,381		\$ 104,578		\$ -	\$ 104,578	132.70		5.55		138.26	
122															
123	Interest on Customer Deposits	\$ 7,971				\$ 7,971				137.50				137.50	
124	Interest on Customer Deposits - Adjustments					-									
125	Rounding			-		-									
126	Total Adjusted Interest on Customer Deposits (L123 + L124)	\$ 7,971		\$ -		\$ 7,971		\$ -	\$ 7,971	137.50		0.00		137.50	
127															
128	Income Taxes														
129	Federal Income Tax	\$ (49,091)				\$ (49,091)				44.75				44.75	
130	State Income Tax	(2,917)				(2,917)				44.75				44.75	
131	Income Tax - Deferred	164,994				164,994				0.00				0.00	
132	PF INC TAX-Adjust Income Taxes			(114,071)		(114,071)						(20.60)		(20.60)	
133	NC-0600 Adjust costs recovered through non-fuel riders			63,168		63,168						0.00		0.00	
134	NC-2100 Adjust NC income taxes for rate change			(2,183)		(2,183)						(20.60)		(20.60)	
135	NC-2200 Synchronize interest expense			3,081		3,081						(20.60)		(20.60)	
136	Rounding			-		-									
137	Income Taxes - Adjustments (Sum Lines 132 through 136)	-		(50,004)		(50,004)									
138															
139	Total Adjusted Income Taxes (L129 + L137)	\$ 112,986		\$ (50,004)		\$ 62,982		\$ 87 [5]	\$ 63,069	(20.60)		20.66		0.06	
140															
141	EDIT Amortization	\$ -				\$ -				0.00				0.00	
142	NC-3700 Amortize Prot EDIT			(30,548)		(30,548)						0.00		0.00	
143	Rounding			-		-									
144	EDIT Amortization (Sum Lines 142 through 143)	-		(30,548)		(30,548)									
145															
146	Total Adjusted EDIT Amortization (L141 + L144)	\$ -		\$ (30,548)		\$ (30,548)		\$ -	\$ (30,548)	0.00		0.00		0.00	
147															
148	Amortization of Investment Tax Credit	\$ (2,134)				\$ (2,134)				0.00				0.00	
149	NC-0800 Annualize Depreciation on year end plant balances			(1,481)		(1,481)						0.00		0.00	
150	Rounding			-		-									
151	Amort. of Investment Tax Credit - Adjustments (Sum Lines 149 through 150)	-		(1,481)		(1,481)									
152															
153	Total Adjusted Amortization of Investment Tax Credit (L148 + L151)	\$ (2,134)		\$ (1,481)		\$ (3,614)		\$ -	\$ (3,614)	0.00		0.00		0.00	
154															
155	Total Operating Expense (L39+L47+L79+L98+L121+L126+L139+L153)	\$ 2,982,032		\$ (55,667)		\$ 2,926,365		\$ 87	\$ 2,926,452	27.48		(1.10)		26.39	
156															
157	Income for Return (L25 - L155)	675,472		(249,111)		426,360		(87)	426,273	27.48		13.32		40.80	
158	Interest Expense	211,661		(13,300)		198,362 [4]		(375) [4]	197,987	87.70		0.00		87.70 [1]	
159	Return for Equity (L157 - L158)	463,810		(235,812)		227,998		288	228,287	0.00		0.00		0.00 [1]	

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For the test period ended December 31, 2018
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ollars in thousands

		NC Retail													
		Financials							Lead Lag Days						
Line No.	Description	Per Books (a)	[1]	Adjustments (b)	[3]	Adjusted Before Change in CWC (c) = (a) + (b)	[3]	Change in CWC (d)	Adjusted with CWC (e) = (c) + (d)	Per Books (f)	[1]	Adjustments (g)	[1]	Adjusted Before Increase (h) = (f) + (g)	[6]
160															
161	Total Requirement (L155 + L157 = L25)	\$ 3,657,503				\$ 3,352,725			\$ 3,352,725	27.48		0.74		28.22	[6]
162															
163	RATE BASE	\$ 9,859,050	[3]	\$ 416,135		\$ 10,275,185	[3]	\$ (19,431)	\$ 10,255,755						
164															
165	Overall Rate of Return (L157 / L163)	6.85%				4.15%			4.16%						
166															
167															
168	Calculation of Change in Cash Working Capital (CWC) due to Adjustments	Per Books		Change in CWC		Adjusted									
169	Revenue Lag Days	42.13				42.09									
170	Requirement Lead Days	27.48				28.22									
171															
172	Net Lag Days (L169 - L170)	14.65				13.87									
173															
174	Annual Requirement	\$ 3,657,503				\$ 3,352,725									
175	Daily Requirement (L174 / 365 Days)	\$ 10,021				\$ 9,186									
176	Net Lag Days (L172, Rounded Per Books)	14.65				13.87									
177	Est. CWC Req. Before Sales Tax Requirement (L175 x L176)	\$ 146,801				\$ 127,371									
178															
179	Add: Working Capital Related to NC Sales Tax	\$ 4,760	[2]			\$ 4,760	[2]								
180															
181	Total Cash Working Capital Requirements (L177 + L179)	\$ 151,561		\$ (19,431)		\$ 132,130									

Notes:

- [1] NC 2305: Revised Lead Lag Study (E-1 Item 14)
[2] NC 2303 Summary
[3] Docket No. E-2, Sub 1219, Smith Exhibit 1 Rebuttal
[4] Rate Base x NC-2304-Inputs
[5] Interest Expense; - L158 x Tax Rate: 23.1693%
[6] New weighted averages calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Cash Working Capital for NC Retail Operations - Lead Lag Summary
For the test period ended December 31, 2018
Dollars in Thousands

Revised E-1 Item 14

Line No	Description	Actual Annual Expense [A]	Lead (Lag) Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag	\$ (3,657,503)	42.13	\$ (154,105,865)
2				
3	Operation & Maintenance Expense	\$ 2,091,224	33.30	\$ 69,630,312
4	Depreciation and Amortization	669,787	0.00	-
5	Taxes Other Than Income Taxes	102,197	132.70	13,561,920
6	Interest on Customer Deposits	7,971	137.50	1,096,011
7	Net Income Taxes	112,986	-20.60	(2,327,337)
8	ITC	(2,134)	0.00	-
9	Income for Return	675,472	27.48	18,562,554
10	Total Requirements (Sum L3:L9)	<u>\$ 3,657,503</u>	27.48	<u>\$ 100,523,460</u>
11				
12	Revenue Lag Days (L1)		42.13	
13	Requirements Lead Days (-L10)		-27.48	
14	Net Lag Days (L12 + L13)		<u>14.65</u>	
15	Daily Requirements (Line 9, Col. A divided by 365)			\$ 10,020.56
16				
17	Estimated Cash Working Capital Requirements (L14 x L15)			\$ 146,801
18	Add: Cash Working Capital Related to NC Sales Tax			4,760
19	Total Cash Working Capital Requirements (L17 + L18)			<u>\$ 151,561</u>
20				
21	Calculation of Total Company and Jurisdictional Amounts:			
22	NC Retail Factor			67.0949% [1]
23				
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 225,890
25				

[1] NC Retail Allocation Factor - Net Book Plant

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjustment to Cash Working Capital - Input Worksheet
For the test period ended December 31, 2018

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Line No	Description	Rate	Ratio	Weighted
1	Debt	4.11% [1]	47.00% [1]	1.9305% [2]
2	Equity	10.30% [1]	53.00% [1]	5.4590% [3]
3	Total ROR (L1 + L2)			7.3895%
4				
5	Statutory tax rate	23.1693% [4]		
6	Statutory regulatory fee percentage rate	0.1297% [5]		
7	Uncollectibles rate	0.24% [6]		

Notes:

[1] Smith Exhibit 1, Page 2

[2] Debt Rate x Debt Ratio

[3] ROE x Equity Ratio

[4] NC-0104 - 2019 Tax Rate, Line 10

[5] NC-0103 - NCUC Statutory Regulatory Fee Percentage Rate, Docket No. M-100, Sub 142

[6] NC-0105 - Development of Uncollectibles Rate

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Cash Working Capital for NC Retail Operations - Lead Lag Detail
For the test period ended December 31, 2018

Support Sch #	Line No.	Total Utility Operating Revenue and Expense Line Description	Account	System YTD Dec 2018	NC Retail Jurisdictional Amount	Lead \ Lag Days	Weighted Amount
	1	OPERATING REVENUES:					
	2						
	3						
Calc	4	Service Lag				15.21	A
	5	Billing Lag					
1	6	Total Retail Sales & Billing Lag		(4,156,399,663)	(3,563,165,280)	1.66	A
	7	Revenue - REPS		(24,719,022)	(24,719,022)		
	8		0440.99, 0442.19, 0442.29, 0444.99, 0445.09	13,507,473	12,096,317		
	9	Unbilled Revenue					
2	10	Collection Lag				25.01	A
	11						
	12	Total Revenue Lag Elec Delivery Rate Schedule (Ln 11 + 17)		(4,167,611,212)	(3,575,787,985)	41.88	(149,748,041,162)
	13						
3	14	Total Revenue Lag Sales for Resale		(1,511,358,381)	(134,915,331)	33.73	A (4,550,694,117)
	15	Provisions For Rate Refunds	0449	118,958,671	104,545,765	41.88	B 4,378,202,395
	16	Total Sales of Electricity (L12 through L14)		(5,560,010,922)	(3,606,157,551)	41.57	(149,920,532,884)
	17						
	18	<u>Other Revenues:</u>					
	19	Forfeited Discounts	0450100, 0450200	(8,582,371)	(7,663,772)	72.30	A (554,090,707)
4c	20	Miscellaneous Revenues	0451100	(6,165,627)	(5,505,700)	76.00	(418,433,189)
4d	21	RENT - (454) - DIST PLT REL		(5,124,157)	(4,465,630)	41.63	(185,904,174)
4d	22	RENT - (454) - DIST POLE RENTAL REV		(12,960,572)	(10,901,069)	182.00	(1,983,994,633)
4d	23	RENT - (454) - TRANS PLT REL		(639,579)	(381,636)	41.63	(15,887,522)
4d	24	RENT - (454) - ADD FAC - WHLS		(2,806,145)	0	0.00	-
4d	25	RENT - (454) - ADD FAC - RET X LIGHTING		(5,162,072)	(4,617,085)	41.63	(192,209,244)
4d	26	RENT - (454) - ADD FAC - LIGHTING		(4,184,534)	(3,848,777)	41.63	(160,224,580)
4d	27	RENT - (454) - OTHER		(5,086,652)	(3,412,883)	68.21	(232,798,642)
	28	OTHER ELEC REV (456) - PROD PLT REL		(1,924,556)	(1,184,137)	41.88	(49,589,686)
	29	OTHER ELEC REV (456) - TRANS REL		(10,403,096)	(6,207,517)	41.88	(259,960,449)
	30	OTHER ELEC REV (456) - GEN PLT REL		0	0	41.88	-
	31	OTHER ELEC REV (456) - WH D/A		(55,825,581)	0	41.88	-
	32	OTHER ELEC REV (456) - OTHER		(548,940)	(368,310)	41.88	(15,424,225)
	33	OTHER ELEC REV (456) - REPS		(1,114,245)	(1,114,245)	41.88	(46,662,737)
	34	OTHER ELEC REV (456) - OTHER ENERGY		0	0	41.88	-
	35	OTHER ELEC REV (456) - DIST PLT REL	0456630	(1,611,605)	(1,404,491)	41.88	(58,817,730)
	36	REV - OTHER NC RETAIL SPECIFIC		(270,645)	(270,645)	41.88	(11,334,162)
	37	Total Other Revenues (L19 through L36)		(122,410,378)	(51,345,897)	81.51	(4,185,331,681)
	38						-
	39	Utility Oper Revenues (L16 + L37)		(5,682,421,300)	(3,657,503,448)	42.13	(154,105,864,564)
	40	ELECTRIC OPERATING REVENUE		5,682,421,300	3,657,503,448		
	41						

Duke Energy Progress, LLC
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Cash Working Capital for NC Retail Operations - Lead Lag Detail
For the test period ended December 31, 2018

Support Sch #	Line No.	Total Utility Operating Revenue and Expense Line Description	Account	System YTD Dec 2018	NC Retail Jurisdictional Amount	Lead \ Lag Days	Weighted Amount
	42	<u>OPERATION AND MAINTENANCE EXPENSE:</u>					
	43						
5 + 6	44	<u>Fuel Used in Electric Generation</u>					
	45	OM Prod Energy - Fuel		1,410,621,869	863,120,481	28.49 A	24,588,906,214
	46	RECS Consumption Expense		18,521,748	18,521,748	28.49 A	527,654,628
	47	Fuel Used in Elec Gen (HFM Greenbook I/S)	F_FUEL_USED_ELEC_GEN	1,429,143,617	881,642,228	28.49	25,116,560,842
7	48						
7	49	OM PROD PURCHASES - CAPACITY COST		109,348,837	67,279,932	30.29 A	2,037,909,147
	50	OM PROD PURCHASES - ENERGY COST		597,919,200	365,384,360	30.29 A	11,067,492,256
	51	OM DEFERRED FUEL EXPENSE	0557980	(316,590,958)	(273,901,174)	28.49 C	(7,803,001,349)
	52	Purchased Power (Acct 555) + Def Fuel (Acct 557)	0555XXX	390,677,079	158,763,118	33.40	5,302,400,054
	53						
	54	<u>Total Other O&M Excluding Fuel and Purchased Power</u>					
9	55						
	56	Total Labor Expense		649,874,113	430,294,724	37.07 A	15,951,025,410
8	57						
	58	Pension and Benefits	0926XXX	115,350,507	76,270,687	13.97 A	1,065,501,492
10	59						
	60	Regulatory Commission Expense	0928000	8,592,296	7,037,696	93.25 A	656,265,126
11	61						
	62	Property Insurance	0924XXX	(774,442)	(525,984)	(222.30) A	116,926,247
15	63						
	64	Injuries & Damages - Workman's Compensation	0925980	290,241	197,125	0.00 A	-
	65						
	66	Uncollectible Accounts	0904000, 0904001	10,008,548	8,937,301	0.00 A	-
	67						
	68	Remaining Other Oper & Maint Expense		763,377,394	528,607,218	40.52 D	21,421,632,363
	69						
	70	Total O&M Excl. Fuel and Purch. Power		1,546,718,656	1,050,818,766	37.32	39,211,350,637
	71						
	72	Total Operation and Maintenance Expense (L47 + L52 + L70)		3,366,539,352	2,091,224,112	33.30	69,630,311,534
	73						
	74	Total Depreciation & Amortization & Property Loss		1,060,260,424	669,787,484	0.00 A	-
	75						
	76	<u>Taxes Other Than Income Taxes</u>					
	77	Payroll Taxes		39,721,091	26,288,326	48.41 A	1,272,617,860
9	78	Property Tax		101,157,752	68,132,745	186.50	12,706,756,958
13	79	FED HEAVY VEHICLE USE TAX		61,024	48,458	0.00	-
	80	ELECTRIC EXCISE TAX - SC		2,222,093	0	0.00	-
	81	PRIVILEGE TAX		16,355,581	12,243,595	(11.97)	(146,555,834)
13	82	MISC TAX - NC		-6,034,064	-4,517,029	60.00 E	(271,021,743)
	83	MISC TAX - SC & OTHER STATES		-165	949	129.46 A	122,893
	84	PUC LICENSE TAX - SC		-121,100	0	0.00 A	-

Duke Energy Progress, LLC
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Cash Working Capital for NC Retail Operations - Lead Lag Detail
For the test period ended December 31, 2018

Support Sch #	Line No.	Total Utility Operating Revenue and Expense Line Description	Account	System YTD Dec 2018	NC Retail Jurisdictional Amount	Lead \ Lag Days	Weighted Amount
	85	Taxes Other Than Income Taxes		153,362,212	102,197,044	132.70	13,561,920,134
16	86						
	87	Total Interest on Customer Deposits		8,642,928	7,970,989	137.50	1,096,011,021
14	88						
14	89	Federal Income Tax		(66,292,963)	(49,091,019)	44.75	(2,196,823,118)
	90	State Income Tax		(3,938,471)	(2,916,502)	44.75	(130,513,463)
	91	Income Tax - Deferred		220,852,977	164,993,723	0.00	-
	92	Net Income Taxes		150,621,543	112,986,202	(20.60)	(2,327,336,581)
	93						
	94	Investment of Tax Credit Adj Net	04114XX	(3,355,660)	(2,133,914)	0.00	-
	95						
	96	Total Utility Operating Expenses (L72 + L74 + L85 + L87 + L92 + L94)		4,736,070,798	2,982,031,917	27.48	81,960,906,108
	97						
	98	Interest Expense for Electric Operations		315,465,770	211,661,368	87.70	18,562,553,881
	99	Income for Equity Return (L100 - L198)		630,884,732	463,810,163	0.00	-
	100	Net Operating Income		946,350,502	675,471,531	27.48	18,562,553,881
	101						
	102	Total Requirements (L96 + L100)		5,682,421,300	3,657,503,448	27.48	100,523,459,988
	103						
	104						
	105	Cash Working Capital Related to NC Sales Tax		4,759,823	G		

Tickmark Legend

- A** Lead/lag days was obtained from Lead/Lag study performed by Ernst & Young. See the Appendix in the Duke Lead Lag Report - DEP file.
- B** Revenue refund will be returned through another mechanism; number set to Revenue Lag Days to eliminate effect on Cash Working Capital.
- C** Lead/lag days for fuel is being used for this line item to facilitate elimination of this item with the adjustments to cash working capital being proposed in this rate case.
- D** Remaining O&M for 2018 includes both nuclear fees and other O&M lines from the 2017 lead/lag study. Lead/lag days reflected is the weighted average of the amounts for those line items from the 2017 study.
- E** This expense category is a new breakout for 2018. Lead/lag days was determined based on review of activity for 2018. A majority of the balance is related to a refund which was accrued in March and received in May. As such, a 60 day lag seems reasonable.
- F** See 2017 Interest Lead Days tab for calculation.
- G** Cash Working Capital Related to NC Sales Tax for 2018 was calculated on Schedule 17.

Duke Energy Progress, LLC
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Update deferred balance and amortize storm costs
For the test period ended December 31, 2018

NC-2900
Second Supplemental

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro forma adjusts depreciation and amortization, and income taxes for the amortization of the deferred storm expenses related to Hurricanes Florence, Michael and Winter Storm Diego (E-2 Sub 1193). The proforma also includes the estimated impact of Hurricane Dorian from September 2019.

Working capital and accumulated deferred taxes are adjusted to reflect the regulatory asset related to the deferred storm expenses.

October update

NC-2905 - Updated Storm costs per latest estimate

November update

NC-2905 - Updated Storm costs per latest estimate

December update

NC-2905 - Updated Storm costs per latest estimate

January update

NC-2902, 2903 and 2904 - updated composite depreciation rate to exclude AMR meters and
NC-2903 - Updated Column 1 Plant Balance to include Dorian Transmission capital dollars as of 9/30/2019; not captured in previous versions; NC-2905 - Updated Storm costs per latest estimate

February update

NC-2902,2903,2906,2907 - Updated Storm costs per actuals

Settlement

Remove storm from rate case

Second Supplemental

Update NC-2906 to update/remove storm accumulated depreciation in actuals from rate case

Duke Energy Progress, LLC
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(Dollars in thousands)

NC-2900
Second Supplemental

Line No.	Description	Source	Total NC Retail		
			Second Supplemental	Application	Change
1					
2	Pro Formas Impacting Income Statement Line Items				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance		-	-	-
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense		-	-	-
11	Depreciation and amortization	NC-2901	(1,645)	43,717	(45,362)
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-2901	381	(10,129)	10,510
15	Amortization of investment tax credit				-
16					
17	Total electric operating expenses	Sum L8 through L15	(1,264)	33,588	(34,852)
18					
19	Operating income	L4 - L17	\$ 1,264	\$ (33,588)	\$ 34,852
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	Pro Formas Impacting Rate Base Line Items				
27					
28	Electric plant in service		\$ (68,639)	\$ -	\$ (68,639)
29	Accumulated depreciation and amortization		2,231	-	2,231
30	Electric plant in service, net	Sum L28 through L29	\$ (66,408)	\$ -	\$ (66,408)
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment	NC-2901	-	612,045	(612,045)
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes	NC-2901	-	(141,807)	141,807
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ (66,408)	\$ 470,238	\$ (536,647)
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

Line		Cumulative Deferred Storm Costs Balance				
No.	Description	Distribution	Transmission [2]	Production	General Plant	Total
1	Impact to Income Statement Line Items					
2	Projected ending balance at August 31, 2020	\$ 599,483 [1]	\$ 45,084 [2]	\$ 3,432 [3]	\$ 39 [6]	\$ 648,038
3	Years to amortize	15	15	15	15	
4	Impact to depreciation and amortization (L2 / L3)	\$ 39,966	\$ 3,006	\$ 229	\$ 3	\$ 43,203
5						
6	Remove storm deferral costs from rate case (-L4)	\$ (39,966)	\$ (3,006)	\$ (229)	\$ (3)	\$ (43,203)
7						
8	Remove storm assets from base rates	\$ (1,619) [5]	\$ (15) [5]	\$ - [5]	\$ (11) [5]	\$ (1,645)
9	Impact to depreciation and amortization expense (L4 + L6 + L8)	\$ (1,619)	\$ (15)	\$ -	\$ (11)	\$ (1,645)
10						
11	Statutory tax rate	23.1693% [4]	23.1693% [4]	23.1693% [4]	23.1693% [4]	23.1693%
12	Impact to income taxes (-L9 x L11)	\$ 375	\$ 4	\$ -	\$ 2	\$ 381
13						
14	Impact to operating income (-L9 - L12)	\$ 1,244	\$ 12	\$ -	\$ 8	\$ 1,264
15						
16	Impact to Rate Base Line Items					
17	Impact to electric plant in service to remove storm assets from base rates	\$ (67,748) [5]	\$ (678) [5]	\$ - [5]	\$ (213)	\$ (68,639)
18						
19	Impact to accumulated depreciation to remove storm assets from base rates	2,203 [5]	17 [5]	- [5]	12	2,231
20						
21	Impact to net plant (L17 + L19)	\$ (65,546)	\$ (662)	\$ -	\$ (201)	\$ (66,409)
22						
23	Projected August 31, 2020 storm deferral balance for rate base (L2)	\$ 599,483	\$ 45,084	\$ 3,432	\$ 39	\$ 648,038
24	Less: 1st year storm deferral amortization (-L4)	(39,966)	(3,006)	(229)	(3)	(43,203)
25	Projected storm deferral balance for rate base (L23 + L24)	\$ 559,517	\$ 42,078	\$ 3,204	\$ 37	\$ 604,836
26						
27	Remove storm deferral costs from rate case (-L25)	\$ (559,517)	\$ (42,078)	\$ (3,204)	\$ (37)	\$ (604,836)
28						
29	Impact to working capital investment (L25 + L27)	\$ -	\$ -	\$ -	\$ -	\$ -
30						
31	Deferred tax rate	23.1693% [4]	23.1693% [4]	23.1693% [4]	23.1693%	
32	Impact to accumulated deferred income tax (-L29 x L31)	\$ -	\$ -	\$ -	\$ -	\$ -
33						
34	Impact to rate base (L21 + L29 + L32)	\$ (65,546)	\$ (662)	\$ -	\$ (201)	\$ (66,409)

[1] NC-2902 - Projected Storm Deferral Balance-Distribution
[2] NC-2903 - Projected Storm Deferral Balance-Transmission
[3] NC-2904 - Projected Storm Deferral Balance-Production
[4] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10
[5] NC-2906 - NC Storm Cost Asset impacts as of May 2020
[6] NC-2907 - Projected Storm Deferral Balance-General Plant

Duke Energy Progress, LLC
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NC-2902
Second Supplemental

Projected Storm Deferral Balance-Distribution

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	343,167	214	736	344,117	344,117
2	October 31, 2018	-	-	-	-	-	-	-	28,894	446	1,538	30,879	374,996
3	November 30, 2018	-	-	-	-	-	-	-	-	467	1,609	2,075	377,071
4	December 31, 2018	61,182	-	-	61,182	50	171	-	31,024	489	1,685	33,418	410,489
5	January 31, 2019	52,324	125	(125)	52,200	92	317	125	-	511	1,762	2,806	413,295
6	February 28, 2019	62,879	107	(231)	62,648	93	321	107	-	515	1,774	2,809	416,104
7	March 31, 2019	62,441	128	(359)	62,082	101	348	128	-	518	1,786	2,882	418,986
8	April 30, 2019	62,726	127	(486)	62,239	101	347	127	-	522	1,799	2,895	421,882
9	May 31, 2019	62,735	128	(614)	62,121	101	347	128	-	525	1,811	2,912	424,794
10	June 30, 2019	62,906	128	(742)	62,164	101	347	128	-	529	1,824	2,928	427,722
11	July 31, 2019	63,043	128	(870)	62,173	101	347	128	-	533	1,836	2,945	430,667
12	August 31, 2019	63,611	128	(998)	62,612	101	348	128	-	536	1,849	2,963	433,630
13	September 30, 2019	63,700	130	(1,128)	62,572	101	349	130	120,798	615	2,121	124,114	557,744
14	October 31, 2019	63,383	130	(1,257)	62,126	101	348	130	-	695	2,394	3,667	561,411
15	November 30, 2019	63,396	129	(1,386)	62,009	101	347	129	-	699	2,410	3,685	565,096
16	December 31, 2019	67,351	129	(1,516)	65,836	104	357	129	-	704	2,426	3,719	568,815
17	January 31, 2020	67,356	137	(1,653)	65,704	107	367	137	-	708	2,442	3,761	572,576
18	February 29, 2020	67,356	137	(1,790)	65,567	106	366	137	-	713	2,458	3,781	576,357
19	March 31, 2020	67,748	137	(1,927)	65,821	106	367	137	-	718	2,474	3,802	580,159
20	April 30, 2020	67,748	138	(2,065)	65,683	107	367	138	-	722	2,490	3,824	583,983
21	May 31, 2020	67,748	138	(2,203)	65,545	106	366	138	-	727	2,507	3,844	587,828
22	June 30, 2020	67,748	138	(2,341)	65,408	106	366	138	-	732	2,523	3,865	591,692
23	July 31, 2020	67,748	138	(2,479)	65,270	106	365	138	-	737	2,540	3,885	595,577
24	August 31, 2020	67,748	138	(2,617)	65,132	106	364	138	-	742	2,556	3,906	599,483
25	Total Costs Through August 31, 2020					2,096	7,223	2,617	523,883	14,317	49,347	599,483	

Docket No. E-2, Sub 1142
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
26 Long-Term Debt	48.0000%	4.0500%	1.9440%	23.1693%	1.9440%	1.4936%
27 Common Equity	52.0000%	9.9000%	5.1480%		6.7004%	5.1480%
28 Total		<u>13.9500%</u>	<u>7.0920%</u>		<u>8.6444%</u>	<u>6.6416%</u>

Depreciation Rates

29 Book Depr Rate - Distribution	2.4434% [2]
30 Book Depr Rate - Transmission	1.9019% [2]
31 Book Depr Rate - Production	3.3708% [2]

[1] NC-2905 - NC Storm Cost Data as of May 2020
[2] NC-2602 Current Depreciation Rates

Duke Energy Progress, LLC
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NC-2903
Second Supplemental

Projected Storm Deferral Balance-Transmission

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	25,742	16	55	25,813	25,813
2	October 31, 2018	-	-	-	-	-	-	-	462	32	112	606	26,419
3	November 30, 2018	-	-	-	-	-	-	-	-	33	113	146	26,566
4	December 31, 2018	-	-	-	-	-	-	-	139	33	114	286	26,852
5	January 31, 2019	790	-	-	790	1	2	-	-	33	115	151	27,003
6	February 28, 2019	983	1	(1)	982	1	5	-	-	34	116	156	27,159
7	March 31, 2019	541	2	(3)	538	1	4	1	-	34	117	157	27,316
8	April 30, 2019	553	1	(4)	550	1	3	2	-	34	117	157	27,473
9	May 31, 2019	577	1	(5)	572	1	3	1	-	34	118	157	27,630
10	June 30, 2019	582	1	(5)	577	1	3	1	-	34	119	158	27,788
11	July 31, 2019	577	1	(6)	571	1	3	1	-	35	119	159	27,947
12	August 31, 2019	583	1	(7)	575	1	3	1	-	35	120	160	28,106
13	September 30, 2019	613	1	(8)	605	1	3	1	14,060	44	151	14,260	42,366
14	October 31, 2019	613	1	(9)	604	1	3	1	-	53	182	240	42,606
15	November 30, 2019	674	1	(10)	664	1	4	1	-	53	183	241	42,847
16	December 31, 2019	675	1	(11)	664	1	4	1	-	53	184	243	43,090
17	January 31, 2020	678	1	(12)	666	1	4	1	-	54	185	244	43,335
18	February 29, 2020	678	1	(13)	665	1	4	1	-	54	186	246	43,580
19	March 31, 2020	678	1	(14)	664	1	4	1	-	54	187	247	43,828
20	April 30, 2020	678	1	(16)	663	1	4	1	-	55	188	248	44,076
21	May 31, 2020	678	1	(17)	662	1	4	1	-	55	189	250	44,326
22	June 30, 2020	678	1	(18)	661	1	4	1	-	55	190	251	44,577
23	July 31, 2020	678	1	(19)	660	1	4	1	-	55	191	253	44,830
24	August 31, 2020	678	1	(20)	659	1	4	1	-	56	192	254	45,084
25	Total Costs Through August 31, 2020					21	71	19	40,403	1,028	3,543	45,084	

Docket No. E-2, Sub 1142
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
26	Long-Term Debt	48.0000%	4.0500%	1.9440%	1.9440%	1.4936%
27	Common Equity	52.0000%	9.9000%	5.1480%	6.7004%	5.1480%
28	Total		13.9500%	7.0920%	8.6444%	6.6416%

Depreciation Rates

29	Book Depr Rate - Distribution	2.4434% [2]
30	Book Depr Rate - Transmission	1.9019% [2]
31	Book Depr Rate - Production	3.3708% [2]

[1] NC-2905 - NC Storm Cost Data as of May 2020

[2] NC-2602 Current Depreciation Rates

Duke Energy Progress, LLC
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NC-2904
Second Supplemental

Projected Storm Deferral Balance-Production

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	3,015	2	6	3,023	3,023
2	October 31, 2018	-	-	-	-	-	-	-	-	4	13	17	3,040
3	November 30, 2018	-	-	-	-	-	-	-	-	4	13	17	3,057
4	December 31, 2018	-	-	-	-	-	-	-	-	4	13	17	3,074
5	January 31, 2019	-	-	-	-	-	-	-	-	4	13	17	3,091
6	February 28, 2019	-	-	-	-	-	-	-	-	4	13	17	3,108
7	March 31, 2019	-	-	-	-	-	-	-	-	4	13	17	3,125
8	April 30, 2019	-	-	-	-	-	-	-	-	4	13	17	3,142
9	May 31, 2019	-	-	-	-	-	-	-	-	4	13	17	3,160
10	June 30, 2019	-	-	-	-	-	-	-	-	4	14	17	3,177
11	July 31, 2019	-	-	-	-	-	-	-	-	4	14	18	3,195
12	August 31, 2019	-	-	-	-	-	-	-	-	4	14	18	3,212
13	September 30, 2019	-	-	-	-	-	-	-	-	4	14	18	3,230
14	October 31, 2019	-	-	-	-	-	-	-	-	4	14	18	3,248
15	November 30, 2019	-	-	-	-	-	-	-	-	4	14	18	3,266
16	December 31, 2019	-	-	-	-	-	-	-	-	4	14	18	3,284
17	January 31, 2020	-	-	-	-	-	-	-	-	4	14	18	3,302
18	February 29, 2020	-	-	-	-	-	-	-	-	4	14	18	3,321
19	March 31, 2020	-	-	-	-	-	-	-	-	4	14	18	3,339
20	April 30, 2020	-	-	-	-	-	-	-	-	4	14	18	3,357
21	May 31, 2020	-	-	-	-	-	-	-	-	4	14	19	3,376
22	June 30, 2020	-	-	-	-	-	-	-	-	4	14	19	3,395
23	July 31, 2020	-	-	-	-	-	-	-	-	4	15	19	3,414
24	August 31, 2020	-	-	-	-	-	-	-	-	4	15	19	3,432
25	Total Costs Through August 31, 2020					-	-	-	3,015	94	324	3,432	

Docket No. E-2, Sub 1142
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
26 Long-Term Debt	48.0000%	4.0500%	1.9440%	23.1693%	1.9440%	1.4936%
27 Common Equity	52.0000%	9.9000%	5.1480%		6.7004%	5.1480%
28 Total		13.9500%	7.0920%		8.6444%	6.6416%

Depreciation Rates

29 Book Depr Rate - Distribution	2.4434% [2]
30 Book Depr Rate - Transmission	1.9019% [2]
31 Book Depr Rate - Production	3.3708% [2]

[1] NC-2905 - NC Storm Cost Data as of May 2020

[2] NC-2602 Current Depreciation Rates

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NC-2905
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NC Storm Cost Data as of May 2020

Line No.	Description	Hurricane Florence - Sep 2018			Hurricane Michael - Oct 2018			Winter Storm Diego - Dec 2018			Hurricane Dorian - Sep 2019 [4]		
		System	Allocator	NC Retail	System	Allocator	NC Retail	System	Allocator	NC Retail	System	Allocator	NC Retail
1	Distr-O&M	413,650 [1]	Direct	368,245 [1]	30,102 [1]	Direct	28,894 [1]	31,600 [1]	Direct	31,024 [1]	164,450 [1]	Direct	146,319 [1]
2	Deductible			(25,078) [6]									(25,521) [6]
3	Distr-Capital	73,260 [1]	Direct	53,282 [1]	8,944 [1]	Direct	8,944 [1]	1,483 [1]	Direct	1,483 [1]	4,222 [1]	Direct	4,041 [1]
4													
5	Trans-O&M	43,140 [2]	59.7%	25,742 [2]	775 [2]	59.7%	462 [2]	232 [2]	59.7%	139 [2]	23,564 [2]	59.7%	14,060 [2]
6	Trans-Capital	968 [2]	59.7%	577 [2]							169 [2]	59.7%	101 [2]
7													
8	Prod-O&M	4,900 [3]	61.5%	3,015 [3]									
9	Prod-Capital												
10													
11	General Plant -C	287 [4]	74.0%	213 [4]									

- [1] Information provided by Distribution Finance. Storm Cost Data as of May 2020.
[2] Information provided by Transmission Finance. Storm Cost Data as of May 2020.
[3] Information provided by Generation Finance. Storm Cost Data as of May 2020.
[4] Estimate based upon best information available. To be updated in supplemental filings.

NC Storm Cost Asset impacts as of May 2020

Line No.	Description	Plant in Service 5/31/2020	Proposed Rate	Proposed Calculated Annual Accrual
1	<u>Impact to Income Statement Line Items</u>			
2	<u>Depreciation and amortization:</u>			
3	Distribution - storm assets	\$ 67,748 [1]	2.39% [4]	\$ 1,619
4	Transmission - storm assets	678 [2]	2.23% [5]	15
5	Production - storm assets	- [3]	4.15% [5]	-
6	General Plant - storm assets	213 [7]	5.00% [5]	11
7	Impact to depreciation and amortization to remove storm assets from base rates (L3 through L6)			<u>\$ (1,645)</u>
8				
9	Taxable income (-L7)			\$ 1,645
10	Statutory tax rate			23.1693% [6]
11	Impact to income taxes to remove storm assets from base rates (L9 * L10)			<u>\$ 381</u>
12				
13	Impact to operating income to remove storm assets from base rates (L9 - L11)			<u>\$ 1,264</u>
14				
15		Balances at 5/31/2020		Adjustment Amount
16	<u>Impact to Rate Base Line Items</u>			
17	<u>Electric Plant in Service:</u>			
18	Distribution - storm assets (L3)	\$ 67,748		\$ (67,748)
19	Transmission - storm assets (L4)	678		(678)
20	Production - storm assets (L5)	-		-
21	General Plant - storm assets (L6)	213		(213)
22	Impact to electric plant in service to remove assets from base rates (L18 through L21)			<u>\$ (68,639)</u>
23				
24	<u>Accumulated Depreciation:</u>			
25	Distribution - storm assets	\$ (2,203) [1]		\$ 2,203
26	Transmission - storm assets	(17) [2]		17
27	Production - storm assets	- [3]		-
28	General Plant - storm assets	(12) [7]		12
29	Impact to accumulated depreciation to remove assets from base rates (L25 through L28)			<u>\$ 2,231</u>
30				
31	<u>Net electric plant:</u>			
32	Distribution - storm assets (L18 + L25)			\$ (65,545)
33	Transmission - storm assets (L19 + L26)			(662)
34	Production - storm assets (L20 + L27)			-
35	General Plant - storm assets (L21 + L28)			(201)
36	Impact to net plant to remove storm assets from base rates (L32 through L35)			<u>\$ (66,408)</u>
37				
38	Impact to rate base to remove storm assets from base rates (L36)			<u>\$ (66,408)</u>

[1] NC-2902 - Projected Storm Deferral Balance-Distribution

[2] NC-2903 - Projected Storm Deferral Balance-Transmission

[3] NC-2904 - Projected Storm Deferral Balance-Production

[4] Proposed 2018 Depreciation study - Distribution composite rate without AMR meter line

[5] Proposed 2018 Depreciation study

[6] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

[7] NC-2907 - Projected Storm Deferral Balance-General Plant

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2907
Second Supplemental

Projected Storm Deferral Balance-General Plant

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-
2	October 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
3	November 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-
4	December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
5	January 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
6	February 28, 2019	-	-	-	-	-	-	-	-	-	-	-	-
7	March 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
8	April 30, 2019	213	-	-	213	0	1	-	-	0	0	1	1
9	May 31, 2019	213	1	(1)	212	0	1	-	-	0	0	2	2
10	June 30, 2019	213	1	(2)	211	0	1	1	-	0	0	2	5
11	July 31, 2019	213	1	(3)	210	0	1	1	-	0	0	2	7
12	August 31, 2019	213	1	(4)	209	0	1	1	-	0	0	2	10
13	September 30, 2019	213	1	(4)	208	0	1	1	-	0	0	2	12
14	October 31, 2019	213	1	(5)	207	0	1	1	-	0	0	2	15
15	November 30, 2019	213	1	(6)	206	0	1	1	-	0	0	2	17
16	December 31, 2019	213	1	(7)	206	0	1	1	-	0	0	2	19
17	January 31, 2020	213	1	(8)	205	0	1	1	-	0	0	2	22
18	February 29, 2020	213	1	(9)	204	0	1	1	-	0	0	2	24
19	March 31, 2020	213	1	(10)	203	0	1	1	-	0	0	2	27
20	April 30, 2020	213	1	(11)	202	0	1	1	-	0	0	3	29
21	May 31, 2020	213	1	(12)	201	0	1	1	-	0	0	3	32
22	June 30, 2020	213	1	(12)	200	0	1	1	-	0	0	3	34
23	July 31, 2020	213	1	(13)	199	0	1	1	-	0	0	3	37
24	August 31, 2020	213	1	(14)	199	0	1	1	-	0	0	3	39
25	Total Costs Through August 31, 2020					6	19	13	-	0	1	39	

Docket No. E-2, Sub 1142
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
26 Long-Term Debt	48.0000%	4.0500%	1.9440%	23.1693%	1.9440%	1.4936%
27 Common Equity	52.0000%	9.9000%	5.1480%		6.7004%	5.1480%
28 Total		<u>13.9500%</u>	<u>7.0920%</u>		<u>8.6444%</u>	<u>6.6416%</u>

Depreciation Rates

29 Book Depr Rate - Distribution	2.4434% [2]
30 Book Depr Rate - Transmission	1.9019% [2]
31 Book Depr Rate - Production	3.3708% [2]
32 Book Depr Rate - General Plant - 394	5.0000% [2]

[1] NC-2905 - NC Storm Cost Data as of May 2020

[2] NC-2602 Current Depreciation Rates

DUKE ENERGY PROGRESS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 5,682,421	\$ 3,657,503	\$ (304,779)	\$ 3,352,725	\$ 389,438	\$ 3,742,162
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,429,144	881,642	(34,636)	847,006		847,006
3	Purchased power	390,677	158,763	(1,965)	156,798		156,798
4	Other operation and maintenance expense	1,546,719	1,050,819	(187,341)	863,478	1,438	864,916
5	Depreciation and amortization	1,060,260	669,787	247,926	917,713		917,713
6	General taxes	153,362	102,197	2,381	104,578		104,578
7	Interest on customer deposits	8,643 (b)	7,971	-	7,971		7,971
8	EDIT Amortization	-	-	(30,548)	(30,548)	-	(30,548)
9	Net income taxes	150,622	112,986	(50,888)	62,098	89,671	151,769
10	Amortization of investment tax credit	(3,356)	(2,134)	(1,481)	(3,614)		(3,614)
11	Total electric operating expenses	4,736,071	2,982,032	(56,552)	2,925,480	91,109	3,016,589
12	Operating income	\$ 946,351	\$ 675,472	\$ (248,227)	\$ 427,244	\$ 298,329	\$ 725,573
13	Original cost rate base	\$ 14,580,739	\$ 9,859,050	\$ 395,635 (d)	\$ 10,254,686	\$ 49,457 (f)	\$ 10,304,142
14	Rate of return on North Carolina retail rate base		6.85%		4.17%		7.04%

-- Some totals may not foot or compute due to rounding.

- Notes: (a) From Form E-1, Item 45a
(b) Reclassifies interest on customer deposits to electric operating expense
(c) From Page 3, Line 36
(d) From Page 4, Line 9
(e) From Page 2
(f) From Page 4d, Line 1. Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY PROGRESS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental S

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 8,108,191	48.00%	\$ 4,922,249	4.11%	\$ 202,178	\$ 4,945,988	4.11%	\$ 203,153
2	Members' equity	(a) 8,717,931	52.00%	5,332,437	4.22%	225,066	5,358,154	9.75%	522,420
3	Total	<u>\$ 16,826,122</u>	<u>100.00%</u>	<u>\$ 10,254,686</u>	(b)	<u>\$ 427,244</u>	(c) <u>\$ 10,304,142</u>	(b)	725,573
4	Operating income before increase (Line 3, Column 5)								<u>427,244</u>
5	Additional operating income required (Line 3 minus Line 4)								298,329
6	Calculate income tax on Incremental interest expense due to increase in cash working capital in proposed revenue								(226)
7	Regulatory fee (.1297%), Uncollectibles Rate (.2394%), and income taxes (23.1693%)								<u>91,335</u>
8	Additional revenue requirement								<u>\$ 389,438</u>
9	Revenue Adjustments (d)								<u>\$ (79,841)</u>
10	Net Increase								<u>\$ 309,597</u>

-- Some totals may not foot or compute due to rounding.

Notes: (a) Th equivalent of common equity for a limited liability company
(b) From Page 1, Line 12, Columns 4 and 6
(c) From Page 1, Line 11, Column 4
(d) From Smith Exhibit 2, Line 5

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT Amortization (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
1	Annualize retail revenues for current rates	(225,760)	-	-	(833)	-	-	-	(52,114)	-	(172,813)
1(D)	Annualize retail revenues for current rates- Supplemental	24,093	-	-	89	-	-	-	5,562	-	18,443
2	Update fuel costs to proposed rate	-	(12,574)	-	-	(1,684)	-	-	3,304	-	10,955
2(F)	Update fuel costs to proposed rate- Rebuttal	-	24,010	-	-	1,684	-	-	(5,953)	-	(19,741)
3	* Normalize for weather	(77,392)	(18,180)	-	(286)	-	-	-	(13,653)	-	(45,273)
11(E)	Normalize for weather- Supplemental	4,882	(2,252)	-	18	-	-	-	1,649	-	5,467
4	* Annualize revenues for customer growth	5,182	2,857	-	19	-	-	-	534	-	1,771
4(I)	Annualize revenues for customer growth- Second Supplemental	(15,625)	(9,976)	-	(58)	-	-	-	(1,296)	-	(4,296)
5	Eliminate unbilled revenues	11,826	-	-	-	-	-	-	2,740	-	9,086
6	Adjust for costs recovered through non-fuel riders	(27,830)	(18,522)	-	(136,112)	(58,446)	(6,458)	-	63,161	-	128,547
6(C)	Adjust for costs recovered through non-fuel riders- Supplemental	-	-	-	(31)	-	-	-	7	-	24
7	Adjust O&M for executive compensation	-	-	-	(2,399)	-	-	-	556	-	1,843
7(G)	Adjust O&M for executive compensation- Partial Settlement	-	-	-	(161)	-	-	-	37	-	124
8	Annualize depreciation on year end plant balances	-	-	-	-	42,068	-	-	(9,747)	(1,481)	(30,841)
8(D)	Annualize depreciation on year end plant balances- Supplemental	-	-	-	-	(661)	-	-	153	-	508
9	Annualize property taxes on year end plant balances	-	-	-	-	-	4,064	-	(942)	-	(3,122)
10	* Adjust for post test year additions to plant in service	-	-	-	-	70,469	6,600	-	(17,857)	-	(59,213)
10(I)	Adjust for post test year additions to plant in service- Second Supplemental	-	-	-	-	(2,200)	(850)	-	707	-	2,344
11	* Amortize deferred environmental costs	-	-	-	-	105,972	-	-	(24,553)	-	(81,419)
11(E)	Amortize deferred environmental costs- Supplemental	-	-	-	-	(9,949)	-	-	2,305	-	7,644
12	Annualize O&M non-labor expenses	-	-	-	1,311	-	-	-	(304)	-	(1,007)
12(I)	Annualize O&M non-labor expenses- Second Supplemental	-	-	-	1,034	-	-	-	(240)	-	(794)
13	* Normalize O&M labor expenses	-	-	-	(18,512)	-	(1,089)	-	4,542	-	15,060
13(I)	Normalize O&M labor expenses- Second Supplemental	-	-	-	(722)	-	181	-	126	-	416
14	Update benefits costs	-	-	-	(3,060)	-	-	-	709	-	2,351
14(D)	Update benefits costs- Supplemental	-	-	-	(3,298)	-	-	-	764	-	2,534
15	* Levelize nuclear refueling outage costs	-	-	-	(6,232)	-	-	-	1,444	-	4,788
15(E)	Levelize nuclear refueling outage costs- Supplemental	-	-	-	42	-	-	-	(10)	-	(32)
16	* Amortize rate case costs	-	-	-	701	-	-	-	(162)	-	(539)
16(G)	Amortize rate case costs- Partial Settlement	-	-	-	-	-	-	-	-	-	-
17	Adjust aviation expenses	-	-	-	(1,452)	-	(18)	-	341	-	1,129
17(G)	Adjust aviation expenses- Partial Settlement	-	-	-	(205)	-	-	-	47	-	157

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power and Net Interchange (Col. 3)	Wages Benefits Materials Etc. (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT Amortization (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,603	(3,479)	5	-	434	-	1,438
19	* Adjust for Merger Related Costs	-	-	-	(4,039)	(172)	(53)	-	988	-	3,276
19(I)	Adjust for Merger Related Costs	-	-	-	-	(12)	-	-	3	-	10
20	* Amortize Severance Costs	-	-	-	(23,366)	-	-	-	5,414	-	17,952
20(G)	Amortize Severance Costs- Partial Settlement	-	-	-	(774)	-	-	-	179	-	594
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	(2,183)	-	2,183
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	123	-	(123)
22(I)	Synchronize interest expense with end of period rate base- Updated Settlement_S	-	-	-	-	-	-	-	1,981	-	(1,981)
23	* Adjust cash working capital	-	-	-	-	-	-	-	122	-	(122)
23(I)	Adjust cash working capital- Updated Settlement_S	-	-	-	-	-	-	-	(29)	-	29
24	Adjust coal inventory	-	-	-	-	-	-	-	-	-	-
24(C)	Adjust coal inventory- Supplemental	-	-	-	-	-	-	-	-	-	-
25	* Adjust for credit card fees	-	-	-	5,197	-	-	-	(1,204)	-	(3,993)
25(F)	Adjust for credit card fees- Rebuttal	-	-	-	72	-	-	-	(17)	-	(55)
26	Adjust Depreciation for new rates	-	-	-	-	89,601	-	-	(20,760)	-	(68,841)
26(D)	Adjust Depreciation for new rates- Supplemental	-	-	-	-	(873)	-	-	202	-	671
27	Adjust vegetation management expenses	-	-	-	5,757	-	-	-	(1,334)	-	(4,424)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(91)	-	-	21	-	70
28(G)	Adjust reserve for end of life nuclear costs- Partial Settlement	-	-	-	-	(1,826)	-	-	423	-	1,403
29	* Update deferred balance and amortize storm costs	-	-	-	-	43,717	-	-	(10,129)	-	(33,588)
29(I)	Update deferred balance and amortize storm costs- Second Supplemental	-	-	-	-	(45,362)	-	-	10,510	-	34,852
30	Adjust other revenue	(4,155)	-	-	(5)	-	-	-	(962)	-	(3,188)
31	Adjust for change in NCUC Reg Fee	-	-	-	(234)	-	-	-	54	-	180
32	* Reflect retirement of Asheville Steam Generating Plant	-	-	-	(6,413)	(181)	(1,032)	-	1,767	-	5,859
32(F)	Reflect retirement of Asheville Steam Generating Plant- Rebuttal	-	-	-	-	10,381	1,032	-	(2,644)	-	(8,769)
33	Adjust for CertainTeed payment obligation	-	-	-	4,939	-	-	-	(1,144)	-	(3,794)
33(A)	Adjust for CertainTeed payment obligation- Supplemental	-	-	-	(4,939)	-	-	-	1,144	-	3,794
34	* Amortize deferred balance Asheville Combined Cycle	-	-	-	6,109	13,594	-	-	(4,565)	-	(15,138)
34(G)	Amortize deferred balance Asheville Combined Cycle- Partial Settlement	-	-	-	(7,568)	(4,624)	-	-	2,825	-	9,367

Smith
Exhibit 1
Page 3
(continued)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power and Net Interchange (Col. 3)	Wages Benefits Materials Etc. (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT 0.0000% (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
35	Adjust Purchased Power	-	-	(1,965)	-	-	-	-	455	-	1,510
36(E)	Correct Lead Lag- Supplemental	-	-	-	-	-	-	-	-	-	-
37(G)	Amortize Prot EDIT- Partial Settlement	-	-	-	-	-	-	(30,548)	7,078	-	23,470
38(G)	Remove certain Settlement Items- Partial Settlement	-	-	-	(2,834)	-	-	-	657	-	2,177
39(G)	Normalize for storm costs- Partial Settlement	-	-	-	9,300	-	-	-	(2,155)	-	(7,145)
40	Total adjustments - Original Filing	<u>\$ (318,129)</u>	<u>\$ (46,419)</u>	<u>\$ (1,965)</u>	<u>\$ (177,306)</u>	<u>\$ 301,368</u>	<u>\$ 2,018</u>	<u>\$ -</u>	<u>\$ (74,904)</u>	<u>\$ (1,481)</u>	<u>\$ (319,441)</u>
40(I)	Change from Application	<u>13,351</u>	<u>11,782</u>	<u>-</u>	<u>(10,035)</u>	<u>(53,443)</u>	<u>363</u>	<u>(30,548)</u>	<u>24,016</u>	<u>-</u>	<u>71,214</u>
41	Total adjustments	<u><u>\$ (304,779)</u></u>	<u><u>\$ (34,636)</u></u>	<u><u>\$ (1,965)</u></u>	<u><u>\$ (187,341)</u></u>	<u><u>\$ 247,926</u></u>	<u><u>\$ 2,381</u></u>	<u><u>\$ (30,548)</u></u>	<u><u>\$ (50,888)</u></u>	<u><u>\$ (1,481)</u></u>	<u><u>\$ (248,227)</u></u>

-- Some totals may not foot or compute due to rounding.

Notes: * Identification required by NCUC Rule R1-17(b)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	225,760	-	225,760
1(D)	Annualize retail revenues for current rates- Supplemental	-	-	-	-	-	-	-	-	(24,093)	-	(24,093)
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	(14,311)	-	(14,311)
2(F)	Update fuel costs to proposed rate- Rebuttal	-	-	-	-	-	-	-	-	25,789	-	25,789
3	* Normalize for weather	-	-	-	-	-	-	-	-	59,144	-	59,144
11(E)	Normalize for weather- Supplemental	-	-	-	-	-	-	-	-	(7,142)	-	(7,142)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	(2,314)	-	(2,314)
4(I)	Annualize revenues for customer growth- Second Supplemental	-	-	-	-	-	-	-	-	5,613	-	5,613
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	(11,869)	-	(11,869)
6	Adjust for costs recovered through non-fuel riders	(978,325)	158,734	(157,453)	(150,987)	90,146	-	-	(1,037,885)	(167,932)	(94,010)	(261,943)
6(C)	Adjust for costs recovered through non-fuel riders- Supplemental	-	-	-	-	-	-	-	-	(31)	5,058	5,027
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	(2,408)	-	(2,408)
7(G)	Adjust O&M for executive compensation- Partial Settlement	-	-	-	-	-	-	-	-	(162)	-	(162)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	40,290	-	40,290
8(D)	Annualize depreciation on year end plant balances- Supplemental	-	-	-	-	-	-	-	-	(663)	-	(663)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	4,079	-	4,079
10	* Adjust for post test year additions to plant in service	1,845,936	(383,473)	-	(1,458)	(31,249)	-	(102,930)	1,326,826	77,355	120,182	197,537
10(I)	Adjust for post test year additions to plant in service- Second Supplemental	(187,320)	195,347	-	20,220	(25,761)	-	-	2,486	(3,062)	(6,254)	(9,315)
11	* Amortize deferred environmental costs	-	-	-	423,886	(98,212)	-	-	325,675	106,364	29,499	135,863
11(E)	Amortize deferred environmental costs- Supplemental	-	-	-	(39,795)	9,220	-	-	(30,575)	(9,986)	(4,208)	(14,193)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	1,316	-	1,316
12(I)	Annualize O&M non-labor expenses- Second Supplemental	-	-	-	-	-	-	-	-	1,038	-	1,038
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	(19,674)	-	(19,674)
13(I)	Normalize O&M labor expenses- Second Supplemental	-	-	-	-	-	-	-	-	(544)	-	(544)
14	Update benefits costs	-	-	-	-	-	-	-	-	(3,071)	-	(3,071)
14(D)	Update benefits costs- Supplemental	-	-	-	-	-	-	-	-	(3,310)	-	(3,310)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	(6,255)	-	(6,255)
15(E)	Levelize nuclear refueling outage costs- Supplemental	-	-	-	-	-	-	-	-	42	-	42
16	* Amortize rate case costs	-	-	-	2,670	(619)	-	-	2,051	704	186	889
16(G)	Amortize rate case costs- Partial Settlement	-	-	-	(2,670)	619	-	-	(2,051)	-	(186)	(186)
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	(1,475)	-	(1,475)
17(G)	Adjust aviation expenses- Partial Settlement	-	-	-	-	-	-	-	-	(206)	-	(206)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(83,851)	19,428	-	-	(64,423)	(1,878)	(5,521)	(7,400)
19	* Adjust for Merger Related Costs	-	347	-	-	-	-	-	347	(4,280)	31	(4,248)
19(I)	Adjust for Merger Related Costs	(558)	55	-	-	-	-	-	(504)	(12)	(45)	(57)
20	* Amortize Severance Costs	-	-	-	23,297	(5,398)	-	-	17,899	(23,453)	1,621	(21,832)
20(G)	Amortize Severance Costs- Partial Settlement	-	-	-	(23,297)	5,398	-	-	(17,899)	(777)	(1,621)	(2,398)
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	(2,851)	-	(2,851)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	160	-	160
22(I)	Synchronize interest expense with end of period rate base- Updated Settlement_S	-	-	-	-	-	-	-	-	2,588	-	2,588
23	* Adjust cash working capital	-	-	-	(27,013)	-	-	-	(27,013)	160	(2,447)	(2,287)
23(I)	Adjust cash working capital- Updated Settlement_S	-	-	-	6,513	-	-	-	6,513	(37)	690	653
24	Adjust coal inventory	-	-	9,641	-	-	-	-	9,641	-	873	873
24(C)	Adjust coal inventory- Supplemental	-	-	(21,244)	-	-	-	-	(21,244)	-	(1,868)	(1,868)
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	5,217	-	5,217
25(F)	Adjust for credit card fees- Rebuttal	-	-	-	-	-	-	-	-	72	-	72
26	Adjust Depreciation for new rates	-	(88,728)	-	-	-	-	-	(88,728)	89,933	(8,037)	81,896
26(D)	Adjust Depreciation for new rates- Supplemental	-	-	-	-	-	-	-	-	(876)	432	(444)
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	5,779	-	5,779
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	(91)	-	(91)
28(G)	Adjust reserve for end of life nuclear costs- Partial Settlement	-	-	-	-	-	-	-	-	(1,833)	-	(1,833)
29	* Update deferred balance and amortize storm costs	-	-	-	612,045	(141,807)	-	-	470,238	43,879	42,594	86,473
29(I)	Update deferred balance and amortize storm costs- Second Supplemental	(68,639)	2,231	-	(612,045)	141,807	-	-	(536,647)	(45,530)	(48,285)	(93,816)
30	Adjust other revenue	-	-	-	-	-	-	-	-	4,165	-	4,165
31	Adjust for change in NCUC Reg Fee	-	-	-	-	-	-	-	-	(235)	-	(235)
32	* Reflect retirement of Asheville Steam Generating Plant	(287,052)	210,671	(7,002)	65,929	(15,275)	-	-	(32,730)	(7,654)	(2,965)	(10,619)
32(F)	Reflect retirement of Asheville Steam Generating Plant- Rebuttal	287,052	(210,671)	(73)	(1,339)	310	-	-	75,279	11,456	6,611	18,067
33	Adjust for CertainTeed payment obligation	-	-	-	-	-	-	-	-	4,957	-	4,957
33(A)	Adjust for CertainTeed payment obligation- Supplemental	-	-	-	-	-	-	-	-	(4,957)	-	(4,957)
34	* Amortize deferred balance Asheville Combined Cycle	-	-	3,735	27,188	(6,299)	-	-	24,624	19,776	2,230	22,006
34(G)	Amortize deferred balance Asheville Combined Cycle- Partial Settlement	-	-	(248)	(27,188)	6,299	-	-	(21,136)	(12,237)	(1,931)	(14,169)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
35	Adjust Purchased Power	-	-	-	-	-	-	-	-	(1,972)	-	(1,972)
36(E)	Correct Lead Lag- Supplemental	-	-	-	(8,580)	-	-	-	(8,580)	-	(735)	(735)
37(G)	Amortize Prot EDIT- Partial Settlement	-	-	-	30,548	(7,078)	-	-	23,470	(30,661)	2,011	(28,649)
38(G)	Remove certain Settlement Items- Partial Settlement	-	-	-	-	-	-	-	-	(2,844)	-	(2,844)
39(G)	Normalize for storm costs- Partial Settlement	-	-	-	-	-	-	-	-	9,334	-	9,334
40	Total adjustments - Original Filing	\$ 580,558	\$ (102,448)	\$ (151,079)	\$ 891,707	\$ (189,284)	\$ -	\$ (102,930)	\$ 926,524	\$ 417,313	\$ 79,408	\$ 496,720
40(I)	Change from Application	30,535	(13,039)	(21,565)	(657,633)	130,814	-	-	(530,888)	(93,033)	(45,500)	(138,532)
41	Total adjustments	<u>\$ 611,093</u>	<u>\$ (115,487)</u>	<u>\$ (172,644)</u>	<u>\$ 234,074</u>	<u>\$ (58,470)</u>	<u>\$ -</u>	<u>\$ (102,930)</u>	<u>\$ 395,635</u>	<u>\$ 324,280</u>	<u>\$ 33,908</u>	<u>\$ 358,188</u>

-- Some totals may not foot or compute due to rounding.

Notes: * Identification required by NCUC Rule R1-17(b)

DUKE ENERGY PROGRESS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 27,775,617	\$ 18,805,911	\$ 611,093	\$ 19,417,003
2	Less: Accumulated depreciation and amortization	4b	(11,648,793)	(8,042,060)	(115,487)	(8,157,546)
3	Net electric plant		16,126,825	10,763,851	495,606	11,259,457
4	Add: Materials and supplies	4c	1,076,701	754,774	(172,644)	582,130
5	Working capital investment	4d	(642,895)	(375,172)	234,074	(141,098)
6	Less: Accumulated deferred taxes		(2,000,064)	(1,332,628)	(58,470)	(1,391,098)
7	Operating reserves		(82,759)	(54,705)	-	(54,705)
8	Construction work in progress	3	102,930	102,930	(102,930)	(0)
9	Total		<u>\$ 14,580,739</u>	<u>\$ 9,859,050</u>	<u>\$ 395,635</u>	<u>\$ 10,254,686</u>

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 16,551,690	\$ 10,056,520	\$ (179,365)	\$ 9,877,155
2	Transmission Plant	2,746,389	1,643,263	264,402	1,907,665
3	Distribution Plant	6,944,764	6,052,263	433,108	6,485,371
4	General Plant	628,616	465,435	68,399	533,833
5	Intangible Plant	<u>527,370</u>	<u>358,178</u>	<u>51,912</u>	<u>410,090</u>
6	Subtotal	27,398,830	18,575,658	638,456	19,214,114
7	Nuclear Fuel (Net)	<u>376,788</u>	<u>230,252</u>	<u>(27,363)</u>	<u>202,889</u>
8	Total electric plant in service	<u>\$ 27,775,617</u>	<u>\$ 18,805,911</u>	<u>\$ 611,093</u>	<u>\$ 19,417,003</u>

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (7,107,080)	\$ (4,390,758)	\$ (50,423)	\$ (4,441,180)
2	Transmission Reserve	(816,198)	(488,611)	(27,693)	(516,304)
3	Distribution Reserve	(3,235,148)	(2,819,386)	26,382	(2,793,003)
4	General Reserve	(167,536)	(124,045)	(30,822)	(154,867)
5	Intangible Reserve	<u>(322,831)</u>	<u>(219,260)</u>	<u>(32,932)</u>	<u>(252,192)</u>
6	Total	<u>\$ (11,648,793)</u>	<u>\$ (8,042,060)</u>	<u>\$ (115,487)</u>	<u>\$ (8,157,546)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	0.00%			
9	Nuclear production plant	0.00%			
10	Hydro production plant	0.00%			
11	Other production plant	2.61%			
12	Transmission plant	5.18%			
13	Distribution plant	1.90%			
14	General plant	Various			
15	Intangible plant	20.00%			

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
MATERIALS AND SUPPLIES
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 87,298	\$ 53,347	\$ (18,678) (a)	\$ 34,669
2	Oil	113,740	69,506	-	69,506
3	Total fuel stock	201,037	122,853	(18,678)	104,174
4	Other electric materials and supplies and stores clearing	875,663	631,921	(153,966)	477,956
5	Total Materials and Supplies	<u>\$ 1,076,701</u>	<u>\$ 754,774</u>	<u>\$ (172,644)</u>	<u>\$ 582,130</u>

-- Some totals may not foot or compute due to rounding.

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 35 days at full load

DUKE ENERGY PROGRESS, LLC
WORKING CAPITAL INVESTMENT
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Line No.	Description	Total Company	North Carolina Retail Operations				Impact of Rev Incr	With Rev Incr
		Per Books	Per Books	Accounting Adjustments	As Adjusted			
		(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	
1	Investor advanced funds: Operating funds per lead-lag study	238,679 (a)	160,141 (a)	(29,080) (b)	131,061	49,457 (c)	180,518	
2	Unamortized Debt	47,722	32,019	-	32,019	-	32,019	
3	Regulatory Assets	(781,496)	(437,291)	263,154	(174,137)	-	(174,137)	
4	Other	(10,529)	(13,453)	-	(13,453)	-	(13,453)	
5	Total investor advanced funds	(505,624)	(258,584)	234,074	(24,510)	49,457	24,947	
6	Less: customer deposits	(137,271)	(116,588)	-	(116,588)	-	(116,588)	
7	Total working capital investment	\$ (642,895)	\$ (375,172)	\$ 234,074	\$ (141,098)	\$ 49,457	\$ (91,641)	

-- Some totals may not foot or compute due to rounding.

Notes: (a) From Angers Exhibit 2, Line 16 and Line 19
(b) Reflects a decrease in "operating funds per lead-lag study" for the adjusted total requirements in this rate case
(c) Reflects an increase in "operating funds per lead-lag study" for the impact of the revenue increase

DUKE ENERGY PROGRESS, LLC
DOCKET NO. E-2, SUB 1219
SUPPLEMENTAL CHANGES TO OP INCOME AND RATE BASE
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Supplemental_S

Smith Exhibit 1 Supplemental Rebuttal

Line No.	Description	Ref #	SUMMARY OF PROPOSED REVENUE ADJUSTMENTS				
			Application	Partial Settlement	Second Supplemental	Second Supplemental S	Total Adjustments
1	Additional base revenue requirement	Smith Exhibit 1	\$ 585,961	\$ 585,961	\$ 585,961	\$ 585,961	\$ 585,961
2	REVISED Annual EDIT Rider 1	Smith Exhibit 3	7,381	7,381	7,381	7,381	7,381
3	Annual EDIT Rider 2 - Year 1 giveback	Smith Exhibit 4	(127,633)	(96,523)	(114,524)	(85,131)	(85,131)
4	Regulatory Asset and Liability Rider	Smith Exhibit 5	(2,091)	(2,091)	(2,091)	(2,091)	(2,091)
5	Revenue impact of Company update			(173,156)	(147,750)	(196,524)	(196,524)
6	Net Revenue Increase		\$ 463,619	\$ 321,573	\$ 328,977	\$ 309,597	\$ 309,597
7							
8							
9							
10	Annualize retail revenues for current rates	NC-0100	\$ (172,813)	\$ -	\$ -	\$ -	\$ (154,370)
11	Update fuel costs to proposed rate	NC-0200	10,955	-	-	-	(8,786)
12	Normalize for weather	NC-0300	(45,273)	-	-	-	(39,806)
13	Annualize revenues for customer growth	NC-0400	1,771	-	(2,771)	-	(2,525)
14	Eliminate unbilled revenues	NC-0500	9,086	-	-	-	9,086
15	Adjust for costs recovered through non-fuel riders	NC-0600	128,547	-	-	-	128,571
16	Adjust O&M for executive compensation	NC-0700	1,843	124	-	-	1,967
17	Annualize depreciation on year end plant balances	NC-0800	(30,841)	-	-	-	(30,333)
18	Annualize property taxes on year end plant balances	NC-0900	(3,122)	-	-	-	(3,122)
19	Adjust for post test year additions to plant in service	NC-1000	(59,213)	(9)	(4,732)	-	(56,870)
20	Amortize deferred environmental costs	NC-1100	(81,419)	-	-	-	(73,775)
21	Annualize O&M non-labor expenses	NC-1200	(1,007)	37	1,420	-	(1,802)
22	Normalize O&M labor expenses	NC-1300	15,060	3,009	(3,633)	-	15,476
23	Update benefits costs	NC-1400	2,351	-	-	-	4,885
24	Levelize nuclear refueling outage costs	NC-1500	4,788	-	-	-	4,756
25	Amortize rate case costs	NC-1600	(539)	-	-	-	(539)
26	Adjust aviation expenses	NC-1700	1,129	157	-	-	1,287
27	Adjust for approved regulatory assets and liabilities	NC-1800	1,438	-	-	-	1,438
28	Adjust for Merger Related Costs	NC-1900	3,276	-	2	-	3,285
29	Amortize Severance Costs	NC-2000	17,952	-	-	-	18,547
30	Adjust NC income taxes for rate change	NC-2100	2,183	-	-	-	2,183
31	Synchronize interest expense with end of period rate base	NC-2200	(123)	(2,433)	623	978	(2,104)
32	Adjust cash working capital	NC-2300	(122)	17	(9)	(7)	(94)
33	Adjust coal inventory	NC-2400	-	-	-	-	-
34	Adjust for credit card fees	NC-2500	(3,993)	-	-	-	(4,048)
35	Adjust Depreciation for new rates	NC-2600	(68,841)	-	-	-	(68,170)
36	Adjust vegetation management expenses	NC-2700	(4,424)	-	-	-	(4,424)
37	Adjust reserve for end of life nuclear costs	NC-2800	70	1,403	-	-	1,473
38	Update deferred balance and amortize storm costs	NC-2900	(33,588)	34,448	7	0	1,264
39	Adjust other revenue	NC-3000	(3,188)	-	-	-	(3,188)
40	Adjust for change in NCUC Reg Fee	NC-3100	180	-	-	-	180
41	Reflect retirement of Asheville Steam Generating Plant	NC-3200	5,859	-	-	-	(2,910)
42	Adjust for CertainTeed payment obligation	NC-3300	(3,794)	-	-	-	-
43	Amortize deferred balance Asheville Combined Cycle	NC-3400	(15,138)	4,299	-	-	(5,771)
44	Adjust Purchased Power	NC-3500	1,510	-	-	-	1,510
45	Correct Lead Lag	NC-3600	-	-	-	-	-
46	Amortize Prot EDIT	NC-3700	-	23,470	-	-	23,470
47	Remove certain Settlement Items	NC-3800	-	2,177	-	-	2,177
48	Normalize for storm costs	NC-3900	-	(7,145)	-	-	(7,145)
49							
50		Adjustments	\$ (319,441)	\$ 59,554	\$ (9,094)	\$ 971	\$ (248,227)
51							
52	Operating income	[3]	675,472	675,472	675,472	675,472	675,472
53	Total Adjustments		(319,441)	(240,104)	(249,198)	(248,227)	(248,227)
54	Adjusted Net Operating Income		356,031	435,367	426,273	427,244	427,244
55							
56	Revenue Requirement Impact		417,313	(77,801)	11,880	(1,269)	324,280
			417,313	313,669	325,549	324,280	324,280

CHANGE IN RATE BASE					
Application	Partial Settlement	Second Supplemental	Second Supplemental S	Total Change	[2]
\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,037,885)	-	-	-	-	(1,037,885)
-	-	-	-	-	-
-	-	-	-	-	-
1,326,826	(1,507)	139,224	-	-	1,329,312
325,675	-	-	-	-	295,100
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,051	(2,051)	-	-	-	-
-	-	-	-	-	-
(64,423)	-	-	-	-	(64,423)
347	-	(53)	-	-	(157)
17,899	(16,717)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(27,013)	3,904	(2,116)	(1,069)	-	(20,500)
9,641	-	-	-	-	(11,603)
-	-	-	-	-	-
(88,728)	-	-	-	-	(88,728)
-	-	-	-	-	-
-	-	-	-	-	-
470,238	(531,121)	27	-	-	(66,408)
-	-	-	-	-	-
-	-	-	-	-	-
(32,730)	-	-	-	-	42,550
-	-	-	-	-	-
24,624	(16,124)	-	-	-	3,488
-	-	-	-	-	-
-	-	-	-	-	(8,580)
-	23,470	-	-	-	23,470
-	-	-	-	-	-
-	-	-	-	-	-
\$ 926,524	\$ (540,146)	\$ 137,082	\$ (1,069)	\$ 395,635	
9,859,050	9,859,050	9,859,050	9,859,050	9,859,050	
926,524	259,622	396,705	395,635	395,635	
10,785,574	10,118,673	10,255,755	10,254,686	10,254,686	
79,408	(46,293)	11,749	(92)	33,908	
79,408	22,251	34,000	33,908	33,908	

Rate base [4]
Total Adjustments
Adjusted Rate Base

[1] Smith Exhibit 1, page 3, Column 9
[2] Smith Exhibit 1, page 3 (continued), Column 8-11
[3] Smith Exhibit 1, page 1, Line 11
[4] Smith Exhibit 1, page 1, Line 12

DUKE ENERGY PROGRESS, LLC
SUMMARY OF PROPOSED REVENUE ADJUSTMENTS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 2
Second Supplemental_S

<u>Line No.</u>	<u>Description</u>	<u>NC RETAIL</u>	<u>Reference</u>
1	Additional base revenue requirement	\$ 389,438	Smith Second Supplemental_S Exhibit 1
2	REVISED Annual EDIT Rider 1	7,381	Smith Exhibit 3
3	Annual EDIT Rider 2 - Year 1 giveback	(85,131)	Smith Second Supplemental_S Exhibit 4
4	Regulatory Asset and Liability Rider	<u>(2,091)</u>	Smith Exhibit 5
5	Subtotal	(79,841)	Sum L3 - L17
6	Net Revenue Increase	<u>\$ 309,597</u>	

DUKE ENERGY PROGRESS, LLC
Reconciliation of Revenue Requirement
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 3
Second Supplemental_S

Line No.	Item	Amount
1	Revenue requirement increase per Company application	585,961
2	Revenue impact of Company adjustments through Settlement	(173,156)
3	Revenue impact of supplemental updates through May	25,406
4	Revenue requirement increase per Smith Exhibit 1 Second Supplemental	<u>\$ 438,211</u>
5		
6	Changes to reflect Intervenor Settlements:	
7	Ex 1 Adjust ROE from 10.3% to 9.75	(38,526)
8	Ex 1 Adjust D/E Ratio from 53/47 to 52/48	(8,348)
9	NC2200 Adjust synchronized interest expense	(1,277)
10	NC2300 Adjust cash working capital under present rates	(88)
11	NC2300 Adjust cash working capital under proposed rates	(535)
	Rounding	-
12	Total Revenue impact of changes	<u>\$ (48,774)</u>
13		
14	Revenue Requirement per Smith Exhibit 1 Second Supplemental_S	<u>\$ 389,438</u>

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018

NC-2200
Second Supplemental_S

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro-forma adjusts income taxes to reflect the tax impact that results from annualizing interest expense based on the end-of-period, adjusted rate base.

The impact to income taxes was determined as follows:

First, multiply rate base after all pro-forma adjustments have been made by the long-term debt ratio to calculate an adjusted long-term debt balance. Second, multiply the adjusted long-term debt balance by the end of year cost of long-term debt to calculate annualized interest expense. Third, subtract interest expense incurred during the test period from annualized interest expense and multiply the difference by the statutory tax rate.

46 Note:
47 Rate Base: positive number increases rate base / negative number decreases rate base

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2201
Second Supplemental_S

Line No.	Description	Total System Col [a]	NC Retail Allocation Col [b]	Total NC Retail Col [c]
1				
2	Rate base before pro forma adjustments	\$ 14,580,739 [1]	67.6169% [2]	\$ 9,859,050 [1]
3				
4	Pro forma rate base before working capital adjustment	\$ 15,196,169 [3]		\$ 10,275,185
5				
6	Long-term debt ratio	48.0000% [4]		48.0000% [4]
7	Calculated long-term debt (L4 x L6)	\$ 7,294,161		\$ 4,932,089
8				
9	End of year cost of long-term debt	4.1074% [4]		4.1074% [4]
10	Annualized interest expense (L7 x L9)	\$ 299,603		\$ 202,582
11				
12	Incurred interest expense	315,466 [5]	67.0949% [6]	211,661
13	Less interest on customer deposits	(8,643) [7]		(7,971) [7]
14	Net interest expense	306,823		203,690
15				
16	Increase / <decrease> to interest costs (L10 - L14)	\$ (7,220)		\$ (9,079)
17				
18	Statutory tax rate	23.1693% [8]		23.1693% [8]
19	Impact to income taxes (-L16 x L18)	\$ 1,673		\$ 2,104
20				
21	Impact to operating income (-L19)	\$ (1,673)		\$ (2,104)

[1] Smith Exhibit 1, Page 1, Line 12

[2] NC Retail Allocation Factor - Calculation: L2, Col [c] / L2, Col [a]

[3] Calculation: L4, Col [c] / L2, Col [b]

[4] Smith Exhibit 1, Page 2, Line 1

[5] Cost of Service, E-1 Item 45a, Total Other Interest Expense, Line 702

[6] NC Retail Allocation Factor - Net Book Plant

[7] Smith Exhibit 1, Page 1, Line 7

[8] NC-0104 - 2019 Tax Rate, Line 10

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

NC-2300
Second Supplemental_S

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro forma adjusts cash working capital to incorporate the impact of the other pro forma adjustments. It also calculates the additional cash working capital required as a result of the proposed increase in rates. The adjustment is in accordance with the Commission's March 21, 2016 order in Docket No. M-100 Sub 137.

October Update

Reflects changes for October updates to actuals

November Update

Reflects changes for November actuals

December Update

Reflects changes for December actuals

January Update

Reflects changes for January 2020 actuals

February Update

Reflects changes for February 2020 actuals and revised E&Y Lead Lag Study

Settlement Update

Reflects changes for settlement adjustments flowing from other proformas

Second Supplemental_S

Reflects changes for May 2020 actuals and incorporates changes for the Intervenor Settlements

46 Note:
47 Rate Base: positive number increases rate base / negative number decreases rate base

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Second Supplemental_S

		NC Retail						
		Financials		Iteration 1				
Line No.	Description	Adjusted with CWC (a)	Revenue Increase (b) = (c) - (a)	Adjusted w/Increase (c) = (n)	Increase (d) = (e) - (a)	With Increase (e) = (a) + (d)	Weighted Lead Lag Days (f)	
1	Total Adjusted Present Revenue	\$ 3,352,725 [1]					42.09	[1]
2	Revenue Increase (L3)	-	389,437		385,182		41.88	[7]
3	Revenues	3,352,725	389,437	3,742,162	385,182	3,737,907	42.07	[8]
4	[Solved Through Iterative Process to Produce Target ROR] (L23 + L25)							
5	Operating Expenses:							
6	Fuel Used in Electric Generation	847,006 [1]	-	847,006		847,006	28.49	[1]
7	Purchased Power	156,798 [1]	-	156,798		156,798	33.44	[1]
8								
9	Operation & Maintenance Expense	863,478 [1]					37.39	[1]
10	Revenue Increase (L11)		1,437		1,422		37.32	[7]
11	Operation and Maintenance Expense with Increase	863,478	1,437	864,915	1,422 [3]	864,900	37.39	[8]
12								
13	Total Adjusted Depreciation and Amortization	917,713 [1]	-	917,713		917,713	0.00	[1]
14	Total Adjusted General Taxes	104,578 [1]	-	104,578		104,578	138.26	[1]
15	Total Adjusted Interest on Customer Deposits	7,971 [1]	-	7,971		7,971	137.50	[1]
16								
17	Net Income Taxes	62,098 [1]					0.39	[1]
18	Revenue Increase (L19)		89,671		88,915		-20.60	[7]
19	Income Taxes with Increase	62,098	89,671	151,769	88,915 [4]	151,013	-11.97	[8]
20								
21	EDIT Amortization	(30,548) [1]	-	(30,548)		(30,548)	0.00	[1]
22	Amortization of Investment Tax Credit	(3,614) [1]	-	(3,614)		(3,614)	0.00	[1]
23	Total Operating Expense (L6+L7+L11+L13+L14+L15+L19+L22)	2,925,480	91,108	3,016,589	90,336	3,015,817	25.02	[9]
24								
25	Income for Return (L3 - L23)	427,244	298,329	725,573	294,846	722,091 [5]	24.55	[9]
26	Interest Expense	202,178 [1]	975	203,153	-	202,178 [6]	87.70	[1]
27	Return for Equity (L25 - L26)	225,066	297,354	522,420	294,846	519,913	0.00	[1]
28								
29	Total Requirement (L23 + L25 = L3)	\$ 3,352,725		\$ 3,742,162		\$ 3,737,907	24.93	[9]
30								
31	Rate Base	\$ 10,254,686 [1]	\$ 49,457	\$ 10,304,142		\$ 10,254,686		
32	[CWC Solved for Through Iterative Process]							
33	Overall Rate of Return (L25 / L31)	4.17%		7.04%		7.04%		
34	Target Rate of Return	7.04% [2]		7.04% [2]		7.04% [2]		
35								
36								
37	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Revenue Increase	Adjusted w/Increase				
38	Annual Requirement (L3 and/or L29)	\$ 3,352,725		\$ 3,742,162		\$ 3,737,907		
39	Daily Requirement (L38 / 365 Days)	\$ 9,186		\$ 10,252		\$ 10,241		
40	Net Lag Days	13.75 [1]		17.14		17.13		
41								
42	Est. CWC Req. Before Sales Tax Requirement (L39 x L40)	\$ 126,301	\$ 49,457	\$ 175,758	\$ 49,163	\$ 175,465		
43	Add: Working Capital Related to NC Sales Tax	\$ 4,760 [1]		\$ 4,760 [1]				
44	Total Cash Working Capital Requirements (L42 + L43)	\$ 131,061	\$ 49,457	\$ 180,518				

Notes

- [1] NC-2302, Adjustment to cash working capital for present revenue annualized
[2] NC-2304, Total ROR
[3] Reg fee x revenue requirement
[4] L27 / (1 - Tax Rate) - L27
[5] Line 31 x Rate of Return
[6] Rate Base x Debt Rate x Debt Ratio
[7] Docket No. E-2, Sub 1219, E-1 Item 14, Lead Lag
[8] Calculation of Average Lead/Lag Day
[9] New weighted averages are calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Second Supplemental_S

Line No.	Description	NC Retail		NC Retail		Weighted Lead Lag Days	
		Financials	Iteration 2	Financials	Iteration 2		
		Adjusted with CWC (a)	Revenue Increase (b) = (c) - (a)	Adjusted w/Increase (c) = (n)	Increase (g) = (h) - (e)	With Increase (h) = (e) + (g)	
1	Total Adjusted Present Revenue	\$ 3,352,725 [1]					42.09 [1]
2	Revenue Increase (L3)	-	389,437		4,229		41.88 [7]
3	Revenues	3,352,725	389,437	3,742,162	4,229	3,742,136	42.06 [8]
4	[Solved Through Iterative Process to Produce Target ROR] (L23 + L25)						
5	Operating Expenses:						
6	Fuel Used in Electric Generation	847,006 [1]	-	847,006		847,006	28.49 [1]
7	Purchased Power	156,798 [1]	-	156,798		156,798	33.44 [1]
8							
9	Operation & Maintenance Expense	863,478 [1]					37.39 [1]
10	Revenue Increase (L11)		1,437		16	16	37.32 [7]
11	Operation and Maintenance Expense with Increase	863,478	1,437	864,915	16 [3]	864,915	37.39 [8]
12							
13	Total Adjusted Depreciation and Amortization	917,713 [1]	-	917,713		917,713	0.00 [1]
14	Total Adjusted General Taxes	104,578 [1]	-	104,578		104,578	138.26 [1]
15	Total Adjusted Interest on Customer Deposits	7,971 [1]	-	7,971		7,971	137.50 [1]
16							
17	Net Income Taxes	62,098 [1]					0.39 [1]
18	Revenue Increase (L19)		89,671		752		-20.60 [7]
19	Income Taxes with Increase	62,098	89,671	151,769	752 [4]	151,765	-12.01 [8]
20							
21	EDIT Amortization	(30,548) [1]	-	(30,548)		(30,548)	0.00 [1]
22	Amortization of Investment Tax Credit	(3,614) [1]	-	(3,614)		(3,614)	0.00 [1]
23	Total Operating Expense (L6+L7+L11+L13+L14+L15+L19+L22)	2,925,480	91,108	3,016,589	767	3,016,584	25.01 [9]
24							
25	Income for Return (L3 - L23)	427,244	298,329	725,573	3,462	725,552 [5]	24.55 [9]
26	Interest Expense	202,178 [1]	975	203,153	969	203,147 [6]	87.70 [1]
27	Return for Equity (L25 - L26)	225,066	297,354	522,420	2,493	522,405	0.00 [1]
28							
29	Total Requirement (L23 + L25 = L3)	\$ 3,352,725		\$ 3,742,162		\$ 3,742,136	24.92 [9]
30							
31	Rate Base	\$ 10,254,686 [1]	\$ 49,457	\$ 10,304,142	\$ 49,163	\$ 10,303,849	
32	[CWC Solved for Through Iterative Process]						
33	Overall Rate of Return (L25 / L31)	4.17%		7.04%		7.04%	
34	Target Rate of Return	7.04% [2]		7.04% [2]		7.04% [2]	
35							
36							
37	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Revenue Increase	Adjusted w/Increase			
38	Annual Requirement (L3 and/or L29)	\$ 3,352,725		\$ 3,742,162		\$ 3,742,136	
39	Daily Requirement (L38 / 365 Days)	\$ 9,186		\$ 10,252		\$ 10,252	
40	Net Lag Days	13.75 [1]		17.14		17.14	
41							
42	Est. CWC Req. Before Sales Tax Requirement (L39 x L40)	\$ 126,301	\$ 49,457	\$ 175,758	\$ 292	\$ 175,756	
43	Add: Working Capital Related to NC Sales Tax	\$ 4,760 [1]		\$ 4,760 [1]			
44	Total Cash Working Capital Requirements (L42 + L43)	\$ 131,061	\$ 49,457	\$ 180,518			

Notes

- [1] NC-2302, Adjustment to cash working capital for present revenue annualized
[2] NC-2304, Total ROR
[3] Reg fee x revenue requirement
[4] L27 / (1 - Tax Rate) - L27
[5] Line 31 x Rate of Return
[6] Rate Base x Debt Rate x Debt Ratio
[7] Docket No. E-2, Sub 1219, E-1 Item 14, Lead Lag
[8] Calculation of Average Lead/Lag Day
[9] New weighted averages are calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Second Supplemental_S

Line No.	Description	Financials		NC Retail		Weighted Lead Lag Days	
		Adjusted with CWC (a)	Revenue Increase (b) = (c) - (a)	Adjusted w/Increase (c) = (n)	Increase (j) = (k) - (h)	With Increase (k) = (h) + (j)	
1	Total Adjusted Present Revenue	\$ 3,352,725 [1]					42.09 [1]
2	Revenue Increase (L3)	-	389,437		25		41.88 [7]
3	Revenues	3,352,725	389,437	3,742,162	25	3,742,162	42.06 [8]
4	[Solved Through Iterative Process to Produce Target ROR] (L23 + L25)						
5	Operating Expenses:						
6	Fuel Used in Electric Generation	847,006 [1]	-	847,006		847,006	28.49 [1]
7	Purchased Power	156,798 [1]	-	156,798		156,798	33.44 [1]
8							
9	Operation & Maintenance Expense	863,478 [1]					37.39 [1]
10	Revenue Increase (L11)		1,437		0	16	37.32 [7]
11	Operation and Maintenance Expense with Increase	863,478	1,437	864,915	0 [3]	864,915	37.39 [8]
12							
13	Total Adjusted Depreciation and Amortization	917,713 [1]	-	917,713		917,713	0.00 [1]
14	Total Adjusted General Taxes	104,578 [1]	-	104,578		104,578	138.26 [1]
15	Total Adjusted Interest on Customer Deposits	7,971 [1]	-	7,971		7,971	137.50 [1]
16							
17	Net Income Taxes	62,098 [1]					0.39 [1]
18	Revenue Increase (L19)		89,671		4		-20.60 [7]
19	Income Taxes with Increase	62,098	89,671	151,769	4 [4]	151,769	-12.01 [8]
20							
21	EDIT Amortization	(30,548) [1]	-	(30,548)		(30,548)	0.00 [1]
22	Amortization of Investment Tax Credit	(3,614) [1]	-	(3,614)		(3,614)	0.00 [1]
23	Total Operating Expense (L6+L7+L11+L13+L14+L15+L19+L22)	2,925,480	91,108	3,016,589	5	3,016,588	25.01 [9]
24							
25	Income for Return (L3 - L23)	427,244	298,329	725,573	21	725,573 [5]	24.55 [9]
26	Interest Expense	202,178 [1]	975	203,153	6	203,153 [6]	87.70 [1]
27	Return for Equity (L25 - L26)	225,066	297,354	522,420	15	522,420	0.00 [1]
28							
29	Total Requirement (L23 + L25 = L3)	\$ 3,352,725		\$ 3,742,162		\$ 3,742,162	24.92 [9]
30							
31	Rate Base	\$ 10,254,686 [1]	\$ 49,457	\$ 10,304,142	\$ 292	\$ 10,304,141	
32	[CWC Solved for Through Iterative Process]						
33	Overall Rate of Return (L25 / L31)	4.17%		7.04%		7.04%	
34	Target Rate of Return	7.04% [2]		7.04% [2]		7.04% [2]	
35							
36							
37	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Revenue Increase	Adjusted w/Increase			
38	Annual Requirement (L3 and/or L29)	\$ 3,352,725		\$ 3,742,162		\$ 3,742,162	
39	Daily Requirement (L38 / 365 Days)	\$ 9,186		\$ 10,252		\$ 10,252	
40	Net Lag Days	13.75 [1]		17.14		17.14	
41							
42	Est. CWC Req. Before Sales Tax Requirement (L39 x L40)	\$ 126,301	\$ 49,457	\$ 175,758	\$ 2	\$ 175,758	
43	Add: Working Capital Related to NC Sales Tax	\$ 4,760 [1]		\$ 4,760 [1]			
44	Total Cash Working Capital Requirements (L42 + L43)	\$ 131,061	\$ 49,457	\$ 180,518			

Notes

- [1] NC-2302, Adjustment to cash working capital for present revenue annualized
[2] NC-2304, Total ROR
[3] Reg fee x revenue requirement
[4] L27 / (1 - Tax Rate) - L27
[5] Line 31 x Rate of Return
[6] Rate Base x Debt Rate x Debt Ratio
[7] Docket No. E-2, Sub 1219, E-1 Item 14, Lead Lag
[8] Calculation of Average Lead/Lag Day
[9] New weighted averages are calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Second Supplemental_S

Line No.	Description	NC R4		NC Retail		Weighted Lead Lag Days	
		Financials	Iteration 4	Financials	Iteration 4		
		Adjusted with CWC (a)	Revenue Increase (b) = (c) - (a)	Adjusted w/increase (c) = (n)	Increase (m) = (n) - (k)	With Increase (n) = (k) + (m)	
1	Total Adjusted Present Revenue	\$ 3,352,725 [1]					42.09 [1]
2	Revenue Increase (L3)	-	389,437		0		41.88 [7]
3	Revenues	3,352,725	389,437	3,742,162	0	3,742,162	42.06 [8]
4	[Solved Through Iterative Process to Produce Target ROR] (L23 + L25)						
5	Operating Expenses:						
6	Fuel Used in Electric Generation	847,006 [1]	-	847,006		847,006	28.49 [1]
7	Purchased Power	156,798 [1]	-	156,798		156,798	33.44 [1]
8							
9	Operation & Maintenance Expense	863,478 [1]					37.39 [1]
10	Revenue Increase (L11)		1,437		0	16	37.32 [7]
11	Operation and Maintenance Expense with Increase	863,478	1,437	864,915	0 [3]	864,915	37.39 [8]
12							
13	Total Adjusted Depreciation and Amortization	917,713 [1]	-	917,713		917,713	0.00 [1]
14	Total Adjusted General Taxes	104,578 [1]	-	104,578		104,578	138.26 [1]
15	Total Adjusted Interest on Customer Deposits	7,971 [1]	-	7,971		7,971	137.50 [1]
16							
17	Net Income Taxes	62,098 [1]					0.39 [1]
18	Revenue Increase (L19)		89,671		0		-20.60 [7]
19	Income Taxes with Increase	62,098	89,671	151,769	0 [4]	151,769	-12.01 [8]
20							
21	EDIT Amortization	(30,548) [1]	-	(30,548)		(30,548)	0.00 [1]
22	Amortization of Investment Tax Credit	(3,614) [1]	-	(3,614)		(3,614)	0.00 [1]
23	Total Operating Expense (L6+L7+L11+L13+L14+L15+L19+L22)	2,925,480	91,108	3,016,589	0	3,016,589	25.01 [9]
24							
25	Income for Return (L3 - L23)	427,244	298,329	725,573	0	725,573 [5]	24.55 [9]
26	Interest Expense	202,178 [1]	975	203,153	0	203,153 [6]	87.70 [1]
27	Return for Equity (L25 - L26)	225,066	297,354	522,420	0	522,420	0.00 [1]
28							
29	Total Requirement (L23 + L25 = L3)	\$ 3,352,725		\$ 3,742,162		\$ 3,742,162	24.92 [9]
30							
31	Rate Base	\$ 10,254,686 [1]	\$ 49,457	\$ 10,304,142	\$ 2	\$ 10,304,142	
32	[CWC Solved for Through Iterative Process]						
33	Overall Rate of Return (L25 / L31)	4.17%		7.04%		7.04%	
34	Target Rate of Return	7.04% [2]		7.04% [2]		7.04% [2]	
35							
36							
37	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Revenue Increase	Adjusted w/increase			
38	Annual Requirement (L3 and/or L29)	\$ 3,352,725		\$ 3,742,162			
39	Daily Requirement (L38 / 365 Days)	\$ 9,186		\$ 10,252			
40	Net Lag Days	13.75 [1]		17.14			
41							
42	Est. CWC Req. Before Sales Tax Requirement (L39 x L40)	\$ 126,301	\$ 49,457	\$ 175,758			
43	Add: Working Capital Related to NC Sales Tax	\$ 4,760 [1]		\$ 4,760 [1]			
44	Total Cash Working Capital Requirements (L42 + L43)	\$ 131,061	\$ 49,457	\$ 180,518			

Notes

- [1] NC-2302, Adjustment to cash working capital for present revenue annualized
[2] NC-2304, Total ROR
[3] Reg fee x revenue requirement
[4] L27 / (1 - Tax Rate) - L27
[5] Line 31 x Rate of Return
[6] Rate Base x Debt Rate x Debt Ratio
[7] Docket No. E-2, Sub 1219, E-1 Item 14, Lead Lag
[8] Calculation of Average Lead/Lag Day
[9] New weighted averages are calculated.

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2302
Second Supplemental_S

		NC Retail													
		Financials							Lead Lag Days						
Line No.	Description	Per Books (a)	[1]	Adjustments (b)	[3]	Adjusted Before Change in CWC (c) = (a) + (b)	[3]	Change in CWC (d)	Adjusted with CWC (e) = (c) + (d)	Per Books (f)	[1]	Adjustments (g)	[1]	Adjusted Before Increase (h) = (f) + (g)	[6]
1	Rate Schedule Revenue														
2	Rate Revenues	\$ 3,575,788				\$ 3,575,788				41.88				41.88	
3	Total Revenue Lag Sales for Resale	134,915				134,915				33.73				33.73	
4	Provisions For Rate Refunds	(104,546)				(104,546)				41.88				41.88	
5	Forfeited Discounts	7,664				7,664				72.30				72.30	
6	Miscellaneous Revenues	5,506				5,506				76.00				76.00	
7	RENT - (454) - DIST PLT REL	4,466				4,466				41.63				41.63	
8	RENT - (454) - DIST POLE RENTAL REV	10,901				10,901				182.00				182.00	
9	RENT - (454) - TRANS PLT REL	382				382				41.63				41.63	
10	RENT - (454) - ADD FAC - WHLS	-				-				0.00				0.00	
11	RENT - (454) - ADD FAC - RET X LIGHTING	4,617				4,617				41.63				41.63	
12	RENT - (454) - ADD FAC - LIGHTING	3,849				3,849				41.63				41.63	
13	RENT - (454) - OTHER	3,413				3,413				68.21				68.21	
14	OTHER ELEC REV (456) - PROD PLT REL	10,549				10,549				41.88				41.88	
15	NC-0100 Annualize Retail revenues for current rates			(201,667)		(201,667)						41.88		41.88	
16	NC-0300 Normalize for weather			(72,510)		(72,510)						41.88		41.88	
17	NC-0400 Annualize revenues for customer growth			(10,443)		(10,443)						41.88		41.88	
18	NC-0500 Eliminate unbilled revenues			11,826		11,826						41.88		41.88	
19	NC-0600 Adjust costs recovered through non-fuel riders			(27,830)		(27,830)						41.88		41.88	
20	NC-2900 Storm Deferral NC FMD			-		-						41.88		41.88	
21	NC-3000 Adjust Other Revenue			(4,155)		(4,155)						98.96		98.96	
22	Rounding			-		-						41.88		41.88	
23	Revenue - Adjustments (Sum Lines 15 through 22)	-		(304,779)		(304,779)									
24															
25	Total Adjusted Revenue (L2 + L23)	\$ 3,657,503		\$ (304,779)		\$ 3,352,725		\$ -	\$ 3,352,725	42.13		(0.05)		42.09	
26															
27	Operating Expenses:														
28	Fuel Used in Electric Generation														
29	OM Prod Energy - Fuel	\$ 863,120				\$ 863,120				28.49				28.49	
30	RECS Consumption Expense	18,522				18,522				28.49				28.49	
31	NC-0200 Update fuel costs to approved rate			11,436		11,436						28.49		28.49	
32	NC-0300 Normalize for weather			(20,432)		(20,432)						28.49		28.49	
33	NC-0400 Annualize revenues for customer growth			(7,118)		(7,118)						28.49		28.49	
34	NC-0600 Adjust costs recovered through non-fuel riders			(18,522)		(18,522)						28.49		28.49	
35	NC-2900 Storm Deferral NC FMD			-		-						28.49		28.49	
36	Rounding			-		-						28.49		28.49	
37	Fuel Used in Electric Generation - Adjustments (Sum Lines 31 through 36)	-		(34,636)		(34,636)									
38															
39	Total Adjusted Fuel Used in Electric Generation (L29 + L37)	\$ 881,642		\$ (34,636)		\$ 847,006		\$ -	\$ 847,006	28.49		0.00		28.49	
40															
41	Purchased Power														
42	OM PROD PURCHASES - CAPACITY COST	\$ 67,280				\$ 67,280				30.29				30.29	
42	OM PROD PURCHASES - ENERGY COST	365,384				365,384				30.29				30.29	
43	OM DEFERRED FUEL EXPENSE	(273,901)				(273,901)				28.49				28.49	
43	NC-3500 Adjust purchased power			(1,965)		(1,965)						30.29		30.29	
44	Rounding			-		-									
45	Purchased Power - Adjustments (Sum Lines 43 through 44)	-		(1,965)		(1,965)									
46															
47	Total Adjusted Purchased Power (L42 + L45)	\$ 158,763		\$ (1,965)		\$ 156,798		\$ -	\$ 156,798	33.40		0.04		33.44	
48															

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		NC Retail													
		Financials							Lead Lag Days						
Line No.	Description	Per Books (a)	[1]	Adjustments (b)	[3]	Adjusted Before Change in CWC (c) = (a) + (b)	[3]	Change in CWC (d)	Adjusted with CWC (e) = (c) + (d)	Per Books (f)	[1]	Adjustments (g)	[1]	Adjusted Before Increase (h) = (f) + (g)	[6]
49	Operation & Maintenance Expense														
50	Total Labor Expense	\$ 430,295				\$ 430,295				37.07				37.07	
46	Pension and Benefits	76,271				76,271				13.97				13.97	
47	Regulatory Commission Expense	7,038				7,038				93.25				93.25	
48	Property Insurance	(526)				(526)				(222.30)				(222.30)	
49	Injuries & Damages - Workman's Compensation	197				197				0.00				0.00	
50	Uncollectible Accounts	8,937				8,937				0.00				0.00	
51	Remaining Other Oper & Maint Expense	528,607				528,607				40.52				40.52	
51	NC-0100 Annualize Retail revenues for current rates			(744)		(744)						37.32		37.32	
52	NC-0200 Update fuel costs to approved rate			-		-						37.32		37.32	
53	NC-0300 Normalize for weather			(268)		(268)						37.32		37.32	
54	NC-0400 Annualize revenues for customer growth			(39)		(39)						37.32		37.32	
55	NC-0600 Adjust costs recovered through non-fuel riders			(136,143)		(136,143)						37.32		37.32	
56	NC-0700 Adjust O&M for executive compensation			(2,560)		(2,560)						37.07		37.07	
57	NC-1200 Annualize O&M non-labor expenses			2,345		2,345						33.30		33.30	
58	NC-1300 Normalize O&M labor expenses			(19,235)		(19,235)						37.07		37.07	
59	NC-1400 Update benefits costs			(6,358)		(6,358)						13.97		13.97	
60	NC-1500 Levelize nuclear refueling outage costs			(6,190)		(6,190)						40.52		40.52	
61	NC-1600 Amortize rate case costs			701		701						0.00		0.00	
62	NC-1700 Adjust aviation expenses			(1,657)		(1,657)						37.32		37.32	
63	NC-1800 Adjust for approved regulatory assets and liabilities			1,603		1,603						0.00		0.00	
64	NC-1900 Adjust for Merger Related Costs			(4,039)		(4,039)						37.32		37.32	
65	NC-2000 Amortize Severance Costs			(24,140)		(24,140)						37.07		37.07	
66	NC-2500 Adjust for credit card fees			5,269		5,269						40.52		40.52	
67	NC-2700 Adjust vegetation management expenses			5,757		5,757						40.52		40.52	
68	NC-2900 Storm Deferral NC			-		-						37.32		37.32	
69	NC-3000 Adjust Other Revenue			(5)		(5)						37.32		37.32	
70	NC-3100 Adjust for change in NCUC Reg Fee			(234)		(234)						93.25		93.25	
71	NC-3200 Reflect retirement of Asheville Steam Generating Plant			(6,413)		(6,413)						37.32		37.32	
72	NC-3300 Adjust for CertainTeed payment Obligation			-		-						37.32		37.32	
73	NC-3400 Amortize deferred balance Asheville Combined Cycle			(1,459)		(1,459)						37.32		37.32	
74	NC-3700 Remove certain Settlement Items			(2,834)		(2,834)						37.32		37.32	
75	NC-3900 Normalize for storm costs			9,300		9,300						37.32		37.32	
76	Rounding			-		-									
77	Operation & Maintenance Expense - Adjustments (Sum Lines 51 through 72)	-		(187,341)		(187,341)									
78															
79	Total Adjusted Operation & Maintenance Expense (L50 + L77)	\$ 1,050,819		\$ (187,341)		\$ 863,478		\$ -	\$ 863,478	37.32		0.08		37.39	
80															
81	Depreciation and Amortization	\$ 669,787				\$ 669,787				0.00				0.00	
82	NC-0200 Update fuel costs to approved rate			-		-						0.00		0.00	
83	NC-0600 Adjust costs recovered through non-fuel riders			(58,446)		(58,446)						0.00		0.00	
84	NC-0800 Annualize Depreciation on year end plant balances			41,407		41,407						0.00		0.00	
85	NC-1000 Adjust for post test year additions to plant in service			68,269		68,269						0.00		0.00	
86	NC-1100 Amortize deferred environmental costs			96,023		96,023						0.00		0.00	
87	NC-1800 Adjust for approved regulatory assets and liabilities			(3,479)		(3,479)						0.00		0.00	
88	NC-1900 Adjust for Merger Related Costs			(184)		(184)						0.00		0.00	
89	NC-2600 Adjust for Depreciation for new rates			88,728		88,728						0.00		0.00	
90	NC-2800 Adjust reserve for end of life nuclear costs			(1,917)		(1,917)						0.00		0.00	
91	NC-2900 Storm Deferral			(1,645)		(1,645)						0.00		0.00	
92	NC-3200 Reflect retirement of Asheville Steam Generating Plant			10,201		10,201						0.00		0.00	
93	NC-3400 Amortize deferred balance Asheville Combined Cycle			8,970		8,970						0.00		0.00	
95	Rounding			-		-									
96	Depreciation and Amortization - Adjustments (Sum Lines 82 through 95)	-		247,926		247,926									
97															
98	Total Adjusted Depreciation and Amortization (L81 + L96)	\$ 669,787		\$ 247,926		\$ 917,713		\$ -	\$ 917,713	0.00		0.00		0.00	
99															

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		NC Retail													
		Financials					Lead Lag Days								
Line No.	Description	Per Books (a)	[1]	Adjustments (b)	[3]	Adjusted Before Change in CWC (c) = (a) + (b)	[3]	Change in CWC (d)	Adjusted with CWC (e) = (c) + (d)	Per Books (f)	[1]	Adjustments (g)	[1]	Adjusted Before Increase (h) = (f) + (g)	[6]
100	General Taxes														
101	Payroll Taxes	\$ 26,288				\$ 26,288				48.41				48.41	
102	Property Tax	68,133				68,133				186.50				186.50	
103	FED HEAVY VEHICLE USE TAX	48				48				0.00				0.00	
104	ELECTRIC EXCISE TAX - SC	-				-				0.00				0.00	
105	PRIVILEGE TAX	12,244				12,244				(11.97)				(11.97)	
106	MISC TAX - NC	(4,517)				(4,517)				60.00				60.00	
107	MISC TAX - SC & OTHER STATES	1				1				129.46				129.46	
108	PUC LICENSE TAX - SC	-				-				0.00				0.00	
109	NC-0600 Adjust costs recovered through non-fuel riders			(6,458)		(6,458)						137.26		137.26	
110	NC-0900 Annualize property taxes on year end plant balances			4,064		4,064						186.50		186.50	
111	NC-1000 Adjust for post test year additions to plant in service			5,750		5,750						186.50		186.50	
112	NC-1300 Normalize O&M labor expenses			(909)		(909)						48.41		48.41	
113	NC-1700 Adjust aviation expenses			(18)		(18)						48.41		48.41	
114	NC-1800 Adjust for approved regulatory assets and liabilities			5		5						48.41		48.41	
115	NC-1900 Adjust for Merger Related Costs			(53)		(53)						48.41		48.41	
116	NC-3200 Reflect retirement of Asheville Steam Generating Plant			-		-						186.50		186.50	
118	Rounding			-		-									
119	General Taxes - Adjustments (Sum Lines 109 through 118)	-		2,381		2,381									
120															
121	Total Adjusted General Tax (L101 + L119)	\$ 102,197		\$ 2,381		\$ 104,578		\$ -	\$ 104,578	132.70		5.55		138.26	
122															
123	Interest on Customer Deposits	\$ 7,971				\$ 7,971				137.50				137.50	
124	Interest on Customer Deposits - Adjustments					-									
125	Rounding			-		-									
126	Total Adjusted Interest on Customer Deposits (L123 + L124)	\$ 7,971		\$ -		\$ 7,971		\$ -	\$ 7,971	137.50		0.00		137.50	
127															
128	Income Taxes														
129	Federal Income Tax	\$ (49,091)				\$ (49,091)				44.75				44.75	
130	State Income Tax	(2,917)				(2,917)				44.75				44.75	
131	Income Tax - Deferred	164,994				164,994				0.00				0.00	
132	PF INC TAX-Adjust Income Taxes			(114,071)		(114,071)						(20.60)		(20.60)	
133	NC-0600 Adjust costs recovered through non-fuel riders			63,168		63,168						0.00		0.00	
134	NC-2100 Adjust NC income taxes for rate change			(2,183)		(2,183)						(20.60)		(20.60)	
135	NC-2200 Synchronize interest expense			2,104		2,104						(20.60)		(20.60)	
136	Rounding			-		-									
137	Income Taxes - Adjustments (Sum Lines 132 through 136)	-		(50,982)		(50,982)									
138															
139	Total Adjusted Income Taxes (L129 + L137)	\$ 112,986		\$ (50,982)		\$ 62,004		\$ 94 [5]	\$ 62,098	(20.60)		20.98		0.39	
140															
141	EDIT Amortization	\$ -				\$ -				0.00				0.00	
142	NC-3700 Amortize Prot EDIT			(30,548)		(30,548)						0.00		0.00	
143	Rounding			-		-									
144	EDIT Amortization (Sum Lines 142 through 143)	-		(30,548)		(30,548)									
145															
146	Total Adjusted EDIT Amortization (L141 + L144)	\$ -		\$ (30,548)		\$ (30,548)		\$ -	\$ (30,548)	0.00		0.00		0.00	
147															
148	Amortization of Investment Tax Credit	\$ (2,134)				\$ (2,134)				0.00				0.00	
149	NC-0800 Annualize Depreciation on year end plant balances			(1,481)		(1,481)						0.00		0.00	
150	Rounding			-		-									
151	Amort. of Investment Tax Credit - Adjustments (Sum Lines 149 through 150)	-		(1,481)		(1,481)									
152															
153	Total Adjusted Amortization of Investment Tax Credit (L148 + L151)	\$ (2,134)		\$ (1,481)		\$ (3,614)		\$ -	\$ (3,614)	0.00		0.00		0.00	
154															
155	Total Operating Expense (L39+L47+L79+L98+L121+L126+L139+L153)	\$ 2,982,032		\$ (56,645)		\$ 2,925,387		\$ 94	\$ 2,925,480	27.48		(1.08)		26.40	
156															
157	Income for Return (L25 - L155)	675,472		(248,133)		427,338		(94)	427,244	27.48		14.09		41.57	
158	Interest Expense	211,661		(9,079)		202,582 [4]		(404) [4]	202,178	87.70		0.00		87.70 [1]	
159	Return for Equity (L157 - L158)	463,810		(239,054)		224,756		311	225,066	0.00		0.00		0.00	

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ollars in thousands

		NC Retail													
		Financials						Lead Lag Days							
<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Per Books</u> (a)	[1]	<u>Adjustments</u> (b)	[3]	<u>Adjusted Before Change in CWC</u> (c) = (a) + (b)	[3]	<u>Change in CWC</u> (d)	<u>Adjusted with CWC</u> (e) = (c) + (d)	<u>Per Books</u> (f)	[1]	<u>Adjustments</u> (g)	[1]	<u>Adjusted Before Increase</u> (h) = (f) + (g)	[6]
166															
167															
168	<u>Calculation of Change in Cash Working Capital (CWC) due to Adjustments</u>	<u>Per Books</u>		<u>Change in CWC</u>		<u>Adjusted</u>									
169	Revenue Lag Days	42.13				42.09									
170	Requirement Lead Days	27.48				28.34									
171															
172	Net Lag Days (L169 - L170)	14.65				13.75									
173															
174	Annual Requirement	\$ 3,657,503				\$ 3,352,725									
175	Daily Requirement (L174 / 365 Days)	\$ 10,021				\$ 9,186									
176	Net Lag Days (L172, Rounded Per Books)	14.65				13.75									
177	Est. CWC Req. Before Sales Tax Requirement (L175 x L176)	\$ 146,801				\$ 126,301									
178															
179	Add: Working Capital Related to NC Sales Tax	\$ 4,760	[2]			\$ 4,760	[2]								
180															
181	Total Cash Working Capital Requirements (L177 + L179)	\$ 151,561		\$ (20,500)		\$ 131,061									

Notes:

- [1] NC 2305: Revised Lead Lag Study (E-1 Item 14)
[2] NC 2303 Summary
[3] Docket No. E-2, Sub 1219, Smith Exhibit 1 Rebuttal
[4] Rate Base x NC-2304-Inputs
[5] Interest Expense: - L158 x Tax Rate: 23.1693%
[6] New weighted averages calculated.

Duke Energy Progress, LLC
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Cash Working Capital for NC Retail Operations - Lead Lag Summary
For the test period ended December 31, 2018
Dollars in Thousands

Revised E-1 Item 14

Line No	Description	Actual Annual Expense [A]	Lead (Lag) Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag	\$ (3,657,503)	42.13	\$ (154,105,865)
2				
3	Operation & Maintenance Expense	\$ 2,091,224	33.30	\$ 69,630,312
4	Depreciation and Amortization	669,787	0.00	-
5	Taxes Other Than Income Taxes	102,197	132.70	13,561,920
6	Interest on Customer Deposits	7,971	137.50	1,096,011
7	Net Income Taxes	112,986	-20.60	(2,327,337)
8	ITC	(2,134)	0.00	-
9	Income for Return	675,472	27.48	18,562,554
10	Total Requirements (Sum L3:L9)	<u>\$ 3,657,503</u>	27.48	<u>\$ 100,523,460</u>
11				
12	Revenue Lag Days (L1)		42.13	
13	Requirements Lead Days (-L10)		-27.48	
14	Net Lag Days (L12 + L13)		<u>14.65</u>	
15	Daily Requirements (Line 9, Col. A divided by 365)			\$ 10,020.56
16				
17	Estimated Cash Working Capital Requirements (L14 x L15)			\$ 146,801
18	Add: Cash Working Capital Related to NC Sales Tax			4,760
19	Total Cash Working Capital Requirements (L17 + L18)			<u>\$ 151,561</u>
20				
21	Calculation of Total Company and Jurisdictional Amounts:			
22	NC Retail Factor			67.0949% [1]
23				
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 225,890
25				

[1] NC Retail Allocation Factor - Net Book Plant

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Adjustment to Cash Working Capital - Input Worksheet
For the test period ended December 31, 2018

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Line No	Description	Rate	Ratio	Weighted
1	Debt	4.11% [1]	48.00% [1]	1.9716% [2]
2	Equity	9.75% [1]	52.00% [1]	5.0700% [3]
3	Total ROR (L1 + L2)			7.0416%
4				
5	Statutory tax rate	23.1693% [4]		
6	Statutory regulatory fee percentage rate	0.1297% [5]		
7	Uncollectibles rate	0.24% [6]		

Notes:

[1] Smith Exhibit 1, Page 2

[2] Debt Rate x Debt Ratio

[3] ROE x Equity Ratio

[4] NC-0104 - 2019 Tax Rate, Line 10

[5] NC-0103 - NCUC Statutory Regulatory Fee Percentage Rate, Docket No. M-100, Sub 142

[6] NC-0105 - Development of Uncollectibles Rate

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Cash Working Capital for NC Retail Operations - Lead Lag Detail
For the test period ended December 31, 2018

Support Sch #	Line No.	Total Utility Operating Revenue and Expense Line Description	Account	System YTD Dec 2018	NC Retail Jurisdictional Amount	Lead \ Lag Days	Weighted Amount
	1	<u>OPERATING REVENUES:</u>					
	2						
	3						
Calc	4	Service Lag				15.21	A
	5	Billing Lag					
1	6	Total Retail Sales & Billing Lag		(4,156,399,663)	(3,563,165,280)	1.66	A
	7	Revenue - REPS		(24,719,022)	(24,719,022)		
	8		0440.99, 0442.19, 0442.29, 0444.99, 0445.09	13,507,473	12,096,317		
	9	Unbilled Revenue					
2	10	Collection Lag				25.01	A
	11						
	12	Total Revenue Lag Elec Delivery Rate Schedule (Ln 11 + 17)		(4,167,611,212)	(3,575,787,985)	41.88	(149,748,041,162)
	13						
3	14	Total Revenue Lag Sales for Resale		(1,511,358,381)	(134,915,331)	33.73	A (4,550,694,117)
	15	Provisions For Rate Refunds	0449	118,958,671	104,545,765	41.88	B 4,378,202,395
	16	Total Sales of Electricity (L12 through L14)		(5,560,010,922)	(3,606,157,551)	41.57	(149,920,532,884)
	17						
	18	<u>Other Revenues:</u>					
	19	Forfeited Discounts	0450100, 0450200	(8,582,371)	(7,663,772)	72.30	A (554,090,707)
4c	20	Miscellaneous Revenues	0451100	(6,165,627)	(5,505,700)	76.00	(418,433,189)
4d	21	RENT - (454) - DIST PLT REL		(5,124,157)	(4,465,630)	41.63	(185,904,174)
4d	22	RENT - (454) - DIST POLE RENTAL REV		(12,960,572)	(10,901,069)	182.00	(1,983,994,633)
4d	23	RENT - (454) - TRANS PLT REL		(639,579)	(381,636)	41.63	(15,887,522)
4d	24	RENT - (454) - ADD FAC - WHLS		(2,806,145)	0	0.00	-
4d	25	RENT - (454) - ADD FAC - RET X LIGHTING		(5,162,072)	(4,617,085)	41.63	(192,209,244)
4d	26	RENT - (454) - ADD FAC - LIGHTING		(4,184,534)	(3,848,777)	41.63	(160,224,580)
4d	27	RENT - (454) - OTHER		(5,086,652)	(3,412,883)	68.21	(232,798,642)
	28	OTHER ELEC REV (456) - PROD PLT REL		(1,924,556)	(1,184,137)	41.88	(49,589,686)
	29	OTHER ELEC REV (456) - TRANS REL		(10,403,096)	(6,207,517)	41.88	(259,960,449)
	30	OTHER ELEC REV (456) - GEN PLT REL		0	0	41.88	-
	31	OTHER ELEC REV (456) - WH D/A		(55,825,581)	0	41.88	-
	32	OTHER ELEC REV (456) - OTHER		(548,940)	(368,310)	41.88	(15,424,225)
	33	OTHER ELEC REV (456) - REPS		(1,114,245)	(1,114,245)	41.88	(46,662,737)
	34	OTHER ELEC REV (456) - OTHER ENERGY		0	0	41.88	-
	35	OTHER ELEC REV (456) - DIST PLT REL	0456630	(1,611,605)	(1,404,491)	41.88	(58,817,730)
	36	REV - OTHER NC RETAIL SPECIFIC		(270,645)	(270,645)	41.88	(11,334,162)
	37	Total Other Revenues (L19 through L36)		(122,410,378)	(51,345,897)	81.51	(4,185,331,681)
	38						-
	39	Utility Oper Revenues (L16 + L37)		(5,682,421,300)	(3,657,503,448)	42.13	(154,105,864,564)
	40	ELECTRIC OPERATING REVENUE		5,682,421,300	3,657,503,448		
	41						

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Cash Working Capital for NC Retail Operations - Lead Lag Detail
For the test period ended December 31, 2018

Support Sch #	Line No.	Total Utility Operating Revenue and Expense Line Description	Account	System YTD Dec 2018	NC Retail Jurisdictional Amount	Lead \\ Lag Days	Weighted Amount
	42	<u>OPERATION AND MAINTENANCE EXPENSE:</u>					
	43						
5 + 6	44	<u>Fuel Used in Electric Generation</u>					
	45	OM Prod Energy - Fuel		1,410,621,869	863,120,481	28.49 A	24,588,906,214
	46	RECS Consumption Expense		18,521,748	18,521,748	28.49 A	527,654,628
	47	Fuel Used in Elec Gen (HFM Greenbook I/S)	F_FUEL_USED_ELEC_GEN	1,429,143,617	881,642,228	28.49	25,116,560,842
7	48						
7	49	OM PROD PURCHASES - CAPACITY COST		109,348,837	67,279,932	30.29 A	2,037,909,147
	50	OM PROD PURCHASES - ENERGY COST		597,919,200	365,384,360	30.29 A	11,067,492,256
	51	OM DEFERRED FUEL EXPENSE	0557980	(316,590,958)	(273,901,174)	28.49 C	(7,803,001,349)
	52	Purchased Power (Acct 555) + Def Fuel (Acct 557)	0555XXX	390,677,079	158,763,118	33.40	5,302,400,054
	53						
	54	<u>Total Other O&M Excluding Fuel and Purchased Power</u>					
9	55						
	56	Total Labor Expense		649,874,113	430,294,724	37.07 A	15,951,025,410
8	57						
	58	Pension and Benefits	0926XXX	115,350,507	76,270,687	13.97 A	1,065,501,492
10	59						
	60	Regulatory Commission Expense	0928000	8,592,296	7,037,696	93.25 A	656,265,126
11	61						
	62	Property Insurance	0924XXX	(774,442)	(525,984)	(222.30) A	116,926,247
15	63						
	64	Injuries & Damages - Workman's Compensation	0925980	290,241	197,125	0.00 A	-
	65						
	66	Uncollectible Accounts	0904000, 0904001	10,008,548	8,937,301	0.00 A	-
	67						
	68	Remaining Other Oper & Maint Expense		763,377,394	528,607,218	40.52 D	21,421,632,363
	69						
	70	Total O&M Excl. Fuel and Purch. Power		1,546,718,656	1,050,818,766	37.32	39,211,350,637
	71						
	72	Total Operation and Maintenance Expense (L47 + L52 + L70)		3,366,539,352	2,091,224,112	33.30	69,630,311,534
	73						
	74	Total Depreciation & Amortization & Property Loss		1,060,260,424	669,787,484	0.00 A	-
	75						
	76	<u>Taxes Other Than Income Taxes</u>					
	77	Payroll Taxes		39,721,091	26,288,326	48.41 A	1,272,617,860
9	78	Property Tax		101,157,752	68,132,745	186.50	12,706,756,958
13	79	FED HEAVY VEHICLE USE TAX		61,024	48,458	0.00	-
	80	ELECTRIC EXCISE TAX - SC		2,222,093	0	0.00	-
	81	PRIVILEGE TAX		16,355,581	12,243,595	(11.97)	(146,555,834)
13	82	MISC TAX - NC		-6,034,064	-4,517,029	60.00 E	(271,021,743)
	83	MISC TAX - SC & OTHER STATES		-165	949	129.46 A	122,893

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Cash Working Capital for NC Retail Operations - Lead Lag Detail
For the test period ended December 31, 2018

Support Sch #	Line No.	Total Utility Operating Revenue and Expense Line Description	Account	System YTD Dec 2018	NC Retail Jurisdictional Amount	Lead \ Lag Days	Weighted Amount	
	84	PUC LICENSE TAX - SC		-121,100	0	0.00	A	-
16	85	Taxes Other Than Income Taxes		153,362,212	102,197,044	132.70		13,561,920,134
	86							
	87	Total Interest on Customer Deposits		8,642,928	7,970,989	137.50	A	1,096,011,021
14	88							
14	89	Federal Income Tax		(66,292,963)	(49,091,019)	44.75	A	(2,196,823,118)
	90	State Income Tax		(3,938,471)	(2,916,502)	44.75		(130,513,463)
	91	Income Tax - Deferred		220,852,977	164,993,723	0.00		-
	92	Net Income Taxes		150,621,543	112,986,202	(20.60)		(2,327,336,581)
	93							
	94	Investment of Tax Credit Adj Net	04114XX	(3,355,660)	(2,133,914)	0.00	A	-
	95							
	96	Total Utility Operating Expenses (L72 + L74 + L85 + L87 + L92 + L94)		4,736,070,798	2,982,031,917	27.48		81,960,906,108
	97							
	98	Interest Expense for Electric Operations		315,465,770	211,661,368	87.70	F	18,562,553,881
	99	Income for Equity Return (L100 - L198)		630,884,732	463,810,163	0.00	A	-
	100	Net Operating Income		946,350,502	675,471,531	27.48		18,562,553,881
	101							
	102	Total Requirements (L96 + L100)		5,682,421,300	3,657,503,448	27.48		100,523,459,988
	103							
	104							
	105	Cash Working Capital Related to NC Sales Tax		4,759,823			G	

Tickmark Legend

- A** Lead/lag days was obtained from Lead/Lag study performed by Ernst & Young. See the Appendix in the Duke Lead Lag Report - DEP file.
- B** Revenue refund will be returned through another mechanism; number set to Revenue Lag Days to eliminate effect on Cash Working Capital.
- C** Lead/lag days for fuel is being used for this line item to facilitate elimination of this item with the adjustments to cash working capital being proposed in this rate case.
- D** Remaining O&M for 2018 includes both nuclear fees and other O&M lines from the 2017 lead/lag study. Lead/lag days reflected is the weighted average of the amounts for those line items from the 2017 study.
- E** This expense category is a new breakout for 2018. Lead/lag days was determined based on review of activity for 2018. A majority of the balance is related to a refund which was accrued in March and received in May. As such, a 60 day lag seems reasonable.
- F** See 2017 Interest Lead Days tab for calculation.
- G** Cash Working Capital Related to NC Sales Tax for 2018 was calculated on Schedule 17.

Duke Energy Progress, LLC
DOCKET E-2 Sub 1219
Smith Exhibit 4
For the test period ended December 31, 2018
NORTH CAROLINA RETAIL
Excess Deferred Income Tax Rider Calculation
(Dollars in thousands)

SMITH
Exhibit No. 4
Second Supplemental_S
Page 1 of 3

		Federal EDIT - Unprotected, PP&E related <u>NC Retail</u>	Federal EDIT - Unprotected, non PP&E related <u>NC Retail</u>	NC EDIT <u>NC Retail</u>	Deferred Revenue <u>NC Retail</u>	Total <u>NC Retail</u>
		(A)	(B)	(C)	(D)	(E)
1 Regulatory Federal EDIT liability including gross up on the books as of 12/31/2018, based on 2017 tax returns	[1]	\$ (326,704)	\$ 4,862	\$ (23,726)		(345,568)
2 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2018-12/31/2018	[1]		\$ (30,548)	\$ -		(30,548)
3 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2019-8/31/2020	[1]		\$ (50,913)	\$ -		(50,913)
4 Regulatory Federal EDIT liability including gross up and transition of Protected to Unprotected Regulatory liability as of 8/31/2020 (Sum of L1 to L3)	[1]	\$ (326,704)	\$ (76,598)	\$ (23,726)	\$ -	(427,028)
5 Adjustment to implement ASU 2018-02	[1]		\$ (34)	\$ -		(34)
6 Adjustment for Amended 2017 Federal Return	[1]	\$ (415)				(415)
7 Deferred revenues related to 2017 Federal Tax Rate Change as of 12/31/2018	[1]				\$ (108,392)	(108,392)
8 Other projected updates through 2/29/2020	[2]			\$ (271)	\$ (1,923)	(2,194)
9 Regulatory liability for federal tax change including gross up for NC Retail, for Year 1 rider calculation (Sum of L4 to L8)		\$ (327,119)	\$ (76,631)	\$ (23,998)	\$ (110,315)	(538,063)
10 Years of rider amortization		20	20	5	2	
11 Annual amortization amount (L9 / L10)		\$ (16,356)	\$ (3,832)	\$ (4,800)	\$ (55,157)	(80,144)

- [1] Excess deferred tax liability (EDIT) as of 12/31/2018 by jurisdiction, and forecast transition to new rates effective date between categories based on Tax analysis of ADIT.
Federal EDIT related to the federal tax changes booked to the 0254036 and 0254038 accounts is included in other Working Capital in the per books cost of service.
NC EDIT related to the NC state tax reduction deferred to the 0254150 account not included for recovery in NC EDIT rider approved in prior DEP NC rate case.
This NC EDIT is included in other Working Capital in the per books cost of service.
Revenues deferred for federal tax changes with accrued returns in the 0229010 account, are currently excluded from rate base in the per books COSS.
- [2] Projected updates to the Federal and NC tax EDIT during 2019 by Tax
NORTH CAROLINA RETAIL, Page 3, Line 1 return accruals on deferred revenues in the 0229010 account projected through 2/29/2020.

Duke Energy Progress, LLC
DOCKET E-2 Sub 1219
Smith Exhibit 4
For the test period ended December 31, 2018
NORTH CAROLINA RETAIL
Excess Deferred Income Tax Rider Calculation
(Dollars in thousands)

SMITH
Exhibit No. 4
Second Supplemental_S
Page 2 of 3

			After Tax Weighted Average Cost of Capital (WACC)
<u>Cost of Capital per Smith Exhibit 1</u>	Ratio	Rate	
Debt	48.00%	4.11%	1.51%
Equity	52.00%	9.75%	5.07%
			6.58%
Statutory Tax Rate			23.17%
Retention factor for NCUC Fee, Uncollectibles			99.63%

Annual Rider Calculation

		Amortization - From Page 1, L												
		Federal EDIT -	Federal EDIT -					Ending Balance before Return	Average of Beginning and Ending Balance	EDIT Balance in Base Rates, Page 1, L1	Change in Regulatory Liability for Rider Return	Return for Rider (K) = (J) x After Tax WACC	Rider Revenues (L) = (F) + (K)	Rider Revenues NCUC Fee, Uncollectibl es (M) = (L) / Retention Factor
Year	Beginning Balance, Page 1, L9	Unprotecte d, PP&E related	Unprotected, non PP&E related	NC EDIT	Deferred Revenue	Total Amortization (F) =(B)+(C)+(D)+ [E]	(G) = (A) - (F)	(H) = ((A) + (G)) / 2		(I)	(J) = (H) - (I)			
	(A)	(B)	(C)	(D)	(E)									
Sep 20- Nov 21	1	(538,063)	(16,356)	(3,832)	(4,800)	(55,157)	(80,144)	(457,918)	(\$497,991)	(427,028)	(\$70,962)	(\$4,673)	(84,817)	(85,131)
Dec 21- Nov 22	2	(457,918)	(16,356)	(3,832)	(4,800)	(55,157)	(80,144)	(377,774)	(\$417,846)	(427,028)	\$9,182	\$605	(79,540)	(79,834) [1]
Dec 22- Nov 23	3	(377,774)	(16,356)	(3,832)	(4,800)	-	(24,987)	(352,787)	(\$365,280)	(427,028)	\$61,748	\$4,066	(20,921)	(20,999) [1]
Dec 23- Nov 24	4	(352,787)	(16,356)	(3,832)	(4,800)	-	(24,987)	(327,800)	(\$340,293)	(427,028)	\$86,735	\$5,711	(19,276)	(19,347) [1]
Dec 24- Nov 25	5	(327,800)	(16,356)	(3,832)	(4,800)	-	(24,987)	(302,813)	(\$315,306)	(427,028)	\$111,722	\$7,357	(17,630)	(17,696) [1]

[1] The rider amounts for years 2 through 5 are shown for illustrative purposes only. Actual rider amounts will be filed each year with updates discussed in my testimony by September 30th for Commission approv.

**Duke Energy Progress, LLC
DOCKET E-2 Sub 1219
Smith Exhibit 4
For the test period ended December 31, 2018
NORTH CAROLINA RETAIL**

**SMITH
Exhibit No. 4
Second Supplemental_S
Page 3 of 3**

Deferred Revenue for Federal Tax Rate Change in account 0229010

NC Retail

1	Projected Changes in Deferred Revenue for Federal Tax Rate Change through Feb 2020	(\$1,923,073)
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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1219

In the Matter of)	
)	SECOND SUPPLEMENTAL
Application of Duke Energy Progress, LLC For)	DIRECT TESTIMONY OF
Adjustment of Rates and Charges Applicable to)	MICHAEL J. PIRRO FOR
Electric Service in North Carolina)	DUKE ENERGY PROGRESS,
)	LLC

1 **I. INTRODUCTION AND PURPOSE**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
3 **OCCUPATION.**

4 A. My name is Michael J. Pirro, and my business address is 550 South Tryon Street,
5 Charlotte, NC 28202. My position with Duke Energy Progress, LLC (“DE
6 Progress” or the “Company”) recently changed to Director, Load Forecasting and
7 Fundamentals.

8 **Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?**

9 A. Yes. I filed direct testimony and exhibits on October 30, 2019, supplemental
10 direct testimony and exhibits on March 13, 2020, and rebuttal testimony on May
11 4, 2020.

12 **Q. WHAT IS THE PURPOSE OF TESTIMONY?**

13 A. The purpose of my second supplemental direct testimony is to support the
14 Company’s proposed update to its customer growth adjustment to incorporate
15 certain known and measurable changes through May 31, 2020.

16 **Q. DID YOU PROVIDE ANY INFORMATION INCLUDED IN EXHIBITS**
17 **SPONSORED BY OTHER COMPANY WITNESSES?**

18 A. Yes. For the reasons I describe below, I sponsor the following adjustment
19 presented in Smith Second Supplemental Exhibit 1:

20 **Line 4 – Annualize revenues for customer growth.**

1 **Q. WHY IS THE COMPANY UPDATING ITS CUSTOMER GROWTH**
2 **ADJUSTMENT?**

3 A. As I noted in my rebuttal testimony, the Company is experiencing a significant
4 reduction in its load and associated revenues due to many commercial and
5 industrial customers as well as schools and colleges scaling back operations, if
6 not closing completely, during the COVID-19 state of emergency. I also
7 indicated that the Company would update its customer growth adjustment closer
8 to the hearing to provide a more accurate depiction of customer usage. In addition
9 to the reduction in non-residential load referenced above and in my rebuttal
10 testimony, the Company has experienced an increase in residential usage.
11 Accordingly, the Company has updated its pro forma adjustment for customer
12 growth to reflect known and measurable kilowatt hour changes in both residential
13 and non-residential usage through May 31, 2020.

14 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SECOND**
15 **SUPPLEMENTAL DIRECT TESTIMONY?**

16 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Second Supplemental Direct Testimony and Exhibits of Kim H. Smith and Second Supplemental Direct Testimony of Michael J. Pirro, as filed in Docket No. E-2, Sub 1219, was served via electronic delivery or mailed, first-class, postage prepaid, upon all parties of record.

This, the 2nd day of July, 2020.

/s/Camal O. Robinson

Camal O. Robinson

Associate General Counsel

Duke Energy

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Charlotte, North Carolina 28202

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Attorney for Duke Energy Progress, LLC