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Jun 30 2021

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June 30, 2021

VIA ELECTRONIC FILING

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

RE: Reply Comments of Duke Energy Progress, LLC and Duke Energy Carolinas, LLC Docket Nos. E-2, Sub 1159 and E-7, Sub 1156

Dear Ms. Campbell:

Enclosed for filing in the above-referenced dockets, please find Reply Comments of Duke Energy Progress, LLC and Duke Energy Carolinas, LLC.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Sincerely,

find

Jack E. Jirak

Enclosures

cc: Parties of Record

CERTIFICATE OF SERVICE

I certify that a copy of the Reply Comments of Duke Energy Progress, LLC and Duke Energy Carolinas, LLC, in Docket Nos. E-2, Sub 1159 and E-7, Sub 1156, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to parties of record.

This the 30th day of June, 2021.

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STATE OF NORTH CAROLINA UTILITIES COMMISSION RALEIGH

DOCKET NO. E-2, SUB 1159 DOCKET NO. E-7, SUB 1156

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Joint Petition of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC for Approval of Competitive Procurement of Renewable Energy Program

) REPLY COMMENTS OF DUKE
) ENERGY CAROLINAS, LLC AND
) DUKE ENERGY PROGRESS, LLC
)

Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, "Duke Energy" or "the Companies") by and through counsel, and pursuant to the North Carolina Utilities Commission's ("Commission") June 2, 2021 *Order Requesting Update*, respectfully submit the following reply comments in response to the Public Staff—North Carolina Utilities Commission's ("Public Staff") and Carolinas Clean Energy Business Association's ("CCEBA") initial comments regarding the status of Competitive Procurement of Renewable Energy ("CPRE") Program, the need for and appropriate timing of CPRE Tranche 3, and the interpretation of the initial 45-month CPRE procurement period requirements.

SUMMARY

Consistent with the General Assembly's goals in enacting the CPRE Program in 2017, the competitive procurement of renewable resources is an essential part of the Company's longer-term resource mix for the Carolinas moving forward. CPRE provides the framework to continue to add renewable energy to the Companies' generation portfolio in a manner that allows DEC and DEP to continue to reliably and cost-effectively serve customers' future energy needs in both North and South Carolina. Duke Energy is proud

of its effort that have allowed the state of North Carolina to remain among the nationleading states for solar generation. And DEC's and DEP's 2020 Integrated Resource Plans ("IRPs") reflect aggressive pursuit of additional renewables in the Carolinas, adding two to four times the already nation-leading levels of solar capacity over the 15-year planning horizon.

However, these reply comments are submitted to address the specific statutory interpretation questions raised by the Commission's *Order Requesting Update* with respect to administration of the CPRE Program. All of the initial comments submitted generally agree that N.C. Gen. Stat. § 62-110.8(a) ("CPRE Statute") can reasonably be interpreted to allow the Companies to commence CPRE Tranche 3 at or near the end of the 45-month procurement period and to complete the Tranche 3 procurement after the 45-month procurement period terminates. In fact, Public Staff concluded in its comments (as discussed further below) that the CPRE Statute can also accommodate a scenario in which the commencement of Tranche 3 is delayed until after the CPRE 45-month procurement period, if determined by the Commission to be in the public interest.

Duke Energy also agrees with the Public Staff's recommendation to update the Commission on the total Transition MW as well as projections of needed renewable capacity to be procured after the initial 45-month period through an updated CPRE Program Plan. Consistent with the CPRE Program Rule, Duke Energy plans to file an updated CPRE Program Plan on September 1, 2021,¹ including the then-current projections

¹ On June 29, 2021, the Commission issued its *Order Waiving in Part Rule R8-60(h)(2) and Giving Notice of Additional Proceedings* in Docket No. E-100, Sub 165, which relieved the Companies of their obligation to file 2021 IRP Updates under Rule R8-60(h)(2) but further directed that DEP and DEC should file their CPRE Program Plan update as required by Rule R8-71(g)(1) on or before September 1, 2021.

of the final Transition MW, as well as initial projections of any new IRP-need based procurement.

Absent any alternative path required by new legislation (as discussed below), the Companies believe that the Commission should consider either (1) a scenario in which Tranche 3 is issued just prior to the end of the 45-month procurement period at which point the Transition MW will be nearly certain; or (2) consistent with the Public Staff's recommendation, a scenario in which Tranche 3 is delayed until after the 45-month procurement period when the Transition MW amount is finally established and the Commission can render its decision concerning the final adjustment to the CPRE targeted procurement amount.

Duke Energy does not agree with CCEBA that it is appropriate to commence a procurement of ~600-700MW at this time "regardless" of the amount of Transition MW, as such an approach has no basis in the CPRE Statute. Furthermore, putting aside the fact that there is no legal basis for CCEBA's proposed approach, the policy arguments proffered by CCEBA are based on generalized assertions with little to no evidentiary basis and do not demonstrate a need for an immediate procurement. Finally, the Companies note that the *Order Requesting Update* did not request comments concerning any new IRP-based procurement occurring after the termination of the initial 45 month period, and the Companies do not believe that this limited comment cycle is the appropriate forum nor the appropriate time to consider such critical issues that require assessment of numerous complex technical and policy questions.

Once again, the Companies are proud of the solar procured to date under the CPRE Program and believe that further integration of renewable energy resources will be an important part of the Companies' plans to reliably and cost effectively serve customers energy needs across the DEC and DEP systems. However, these reply comments are intended to address the specific legal questions raised by the Commission. The plan proposed herein remains consistent with the Companies' IRPs now pending in Docket No. E-100, Sub 165 and reflect the Companies' commitment to continue to add more renewable energy resources to the DEC and DEP systems.

REPLY COMMENTS

I. <u>The parties submitting initial comments agree it is reasonable to interpret</u> the CPRE Statute as allowing for Tranche 3 to be completed after the initial 45-month CPRE procurement period.

The CPRE Statute provides that the Companies "shall issue requests for proposals to procure and shall procure, energy and capacity from renewable energy facilities in the aggregate amount of 2,660 megawatts (MW), and the total amount shall be reasonably allocated over a term of 45 months beginning when the Commission approves the program."² The CPRE Statute further provides that the Transition MW are to be determined by "the end of the initial 45-month competitive procurement period."³

In initial comments, Duke Energy explained that the final amount of Transition MW⁴ cannot be calculated until the end of the initial CPRE procurement period. Duke Energy also explained that because the current amount of Transition MW exceeds 3,500 MW, the amount of remaining CPRE Program MW needing to be procured through Tranche 3 continues to decline and it is likely that additional CPRE Program MW will be

² N.C. Gen. Stat. 62-110.8(a).

³ *Id*.

⁴"Transition MW" are defined as projects satisfying the following criteria: the execution of power purchase agreements ("PPAs") and interconnection agreements for renewable energy capacity within DEC and DEP's Balancing Authority Areas that are not subject to economic dispatch or curtailment and were not procured pursuant to the Green Source Advantage ("GSA") program authorized under N.C. Gen. Stat. 62-159.2.

as little as 112 MW (if all potential Transition MW are contracted for) or as much as 585 MW (if none of the remaining potential Transition MW are contracted for).⁵ Duke Energy therefore concluded that it is inappropriate to make final procurement decisions prior to the end of the 45-month period and final Transition MW accounting, and recommended that the Tranche 3 procurement be commenced by November, 2021, but completed at a later date.⁶

Both the Public Staff and CCEBA's initial comments go further and seemingly accept that it is reasonable to interpret the CPRE Statute as allowing for CPRE Tranche 3 to be commenced outside the initial 45-month CPRE procurement period. The Public Staff specifically states that "it is proper and consistent with the requirements of the [CPRE Statute] for the Commission to [either]....(1) wait until the 45-month period expires, determine if Duke Energy has met its statutory requirements, and if not, direct Duke Energy to issue an RFP for the remaining MW required by the statute; or (2) find that it is in the public interest to modify or delay the CPRE [] Procurement Period pursuant to N.C.G.S. 110.8(h)(5) and Rule R8-71(2) to provide Duke Energy the flexibility necessary to meet the statutory procurement target."⁷ Similarly, CCEBA states that it "does not believe the Commission is statutorily required to direct all of the initial volume of CPRE procurement within the initial 45-month period," and that the "Commission could lawfully choose to wait until the end of the 45-month period to determine the remaining volume to be procured from the initial 2,660 MW total."⁸

Given that the parties agree that the CPRE Statute can reasonably be interpreted as

⁵ Duke Initial Comments, at 4.

⁶ Duke Initial Comments, at 5-6.

⁷ Public Staff Initial Comments, at 4-5.

⁸ CCEBA Initial Comments, at 3.

allowing the Commission to authorize Duke Energy to complete Tranche 3 after the 45month procurement period has concluded, Duke Energy believes that it would be reasonable to either (1) commence Tranche 3 at or near the close of the 45-month procurement period or (2) consistent with Public Staff's recommendation, delay commencing Tranche 3 until after the close of the 45-month period, at which time the final Transition MW amount will be known and the Commission can determine the remaining amount of CPRE procurement.⁹ As explained by Duke Energy¹⁰ and the Public Staff,¹¹ it will not actually be known until November, 2021 what amount of procurement is needed to meet the initial CPRE procurement requirement, because pursuant to the CPRE Statute, total Transition MW are required to be accounted for at the end of the 45-month period. Therefore, Duke Energy and the Public Staff's initial comments support as reasonable a delay of additional procurement until after November, 2021 when Transition MW can be accurately accounted for and the Commission can thereafter render a decision concerning the total amount of CPRE MW.

Additionally, by November 2021, the parties and the Commission will have gathered additional data and information to better inform decisions as to what amounts should be procured through Tranche 3 and/or future additional competitive procurements. For example, by November, 2021, in addition to knowing the total MW needing to be procured to achieve the initial 6,160 MW procurement requirements of the CPRE Statute, Duke Energy will also have filed its 2021 CPRE Program Plan. It is also possible that the

⁹ Public Staff Initial Comments, at 7-8 (addressing the Commission's authority under N.C. Gen. Stat. § 62-110.8(h)(5) and Rule R8-71(i)(2) to modify or delay the remaining initial MW required to be procured under the CPRE Program).

¹⁰ Duke Initial Comments, at 6.

¹¹ Public Staff Initial Comments, at 4-5.

CPRE Program will be modified and extended through the possible passage of currentlypending legislation before the General Assembly, which legislation currently contemplates targeted annual CPRE procurement amounts through 2026.¹²

II. The Commission should reject CCEBA's recommendation to "immediately" commence "full Tranche 3 procurement."

CCEBA argues that the Commission should "act now" and direct Duke Energy to undertake "a full Tranche 3 procurement (~600-700MW) *regardless* of the Transition MW accounting and as soon as possible."¹³ CCEBA's request is unsupported, inconsistent with the intent of the CPRE Statute, and unreasonable given the current amount of Transition MW.

A. The CPRE Statute does not provide for additional procurement "regardless of the Transition MW accounting and as soon as possible."

CCEBA offers little legal support for its recommendation that Duke Energy immediately begin to procure new solar generation in excess of the total 6,160 MW target mandated by the General Assembly in enacting the CPRE Statute. CCEBA's desire for the Commission to "immediately" initiate additional competitive procurement based on Duke Energy's 2020 IRPs demonstrating a need "regardless of the Transmission MW" cannot be reconciled with the intent and plain language of the CPRE Statute. To the contrary, the CPRE Statute expressly contemplates that the time for additional "new" procurement to occur arises after the initial 45-month CPRE Program timeframe has concluded:

at the termination of the initial competitive procurement period of 45 months, the offering of a new renewable energy resources competitive

¹² See 2021 Session House Bill 951 (Part I, Section 1.(g), if enacted, would direct modifications to the CPRE Program requirements, including, but not limited to, modifying the 45-month procurement timeframe as well as the total target MW to be procured).

¹³ CCEBA Initial Comments, at 2.

procurement and the amount to be procured shall be determined by the Commission, based on a showing of need evidenced by the electric public utility's most recent biennial integrated resource plan or annual update approved by the Commission pursuant to G.S. 62-110.1(c).¹⁴

By the plain terms of the statute, a showing of IRP-based need for renewable energy resource MW must be "evidenced" through an IRP *after* the termination of the initial 45-month period.¹⁵

Neither Duke Energy nor the Commission can disregard the express statutory requirement that a demonstrated need for a "new renewable energy resources competitive procurement" based on a future resource planning need must be evidenced "at the termination of the initial competitive procurement period of 45 months" and prior to Duke Energy competitively procuring additional solar. Correspondingly, the CPRE Statute does not contemplate Duke Energy undertaking procurements "*regardless*" of the currently-uncertain Transition MW total.¹⁶ CCEBA's argument that Duke Energy be required to immediately commence competitive procurement of ~600-700 MW should therefore be rejected.

B. CCEBA's generalized policy arguments for proceeding immediately with CPRE Tranche 3 do not withstand scrutiny.

CCEBA makes several policy arguments related to Duke Energy's 2020 IRPs in an attempt to support "immediate" procurement "regardless" of Transition MW. Putting aside the fact that there is no legal basis for an immediate procurement "regardless" of the Transition MW, CCEBA's policy arguments do not provide compelling reason to

¹⁴ N.C. Gen. Stat. § 62-110.8(a) (emphasis added).

¹⁵ The CPRE Statute also seems to contemplate the potential for an "additional competitive procurement" after the 45-months are concluded to procure unawarded MW, deficit MW, and reallocated MW from the GSA program even before the "offering of a new renewable energy resources competitive procurement . . ." as determined based upon IRP need. N.C. Gen. Stat. 62-110.8(a).

¹⁶ *Id.* at 2.

accelerate further procurements.

CCEBA first states that Duke Energy's "2020 IRPs identify the need for procurement of substantial additional solar resources over the coming decade."¹⁷ While Duke Energy agrees with CCEBA that DEC's and DEP 2020 IRPs reflect growth of solar resources over the planning horizon, CCEBA's allegation that "such procurement must begin immediately to be accomplished over the planning period" is not accurate. As explained further below in Section II.C., while Duke Energy's IRPs do add significant solar resources over the 15-year planning horizon (with the amount and timing varying based on the portfolio), an immediate procurement is not necessary to accomplish the targeted amounts in the 2020 IRPs.

CCEBA also mischaracterizes Duke Energy's IRP planning assumptions for new solar resources by suggesting that "Duke[] claim[s] that it cannot interconnect more than 500 MW per year."¹⁸ As discussed in the Companies' recent IRP reply comments, 500 MW is utilized as a reasonable planning assumption at this time based on the Companies' extensive past experience interconnecting new solar generation.¹⁹ This 500 MW planning assumption is not "fixed" and will continue to be evaluated in future IRPs to ensure reasonable planning recognizing the Companies' evolving experience and capabilities to interconnect new generating facilities, including solar generation to the DEC and DEP systems over time. In any case, the 500 MW solar interconnection limit is an assumed annual capacity planning limit based upon installed solar capacity and does not limit Duke Energy's ability to procure more than 500 MW in a given year or future CPRE tranche.

¹⁷ CCEBA Initial Comments, at 2.

¹⁸ Id. at 2.

¹⁹ DEC and DEP Reply Comments, 166-169, Docket No. E-100, Sub 165 (filed May 28, 2021) ("Duke Reply Comments on 2020 IRPs").

In another attempt to support "immediate" procurement, CCEBA claims that "[1]osing six months or a year [before initiating Tranche 3] will have adverse impacts on the state's ability to achieve its clean energy objectives."²⁰ As an initial matter, this generalized statement is hyperbole with little factual support. Duke Energy's initial comments explain that one interpretation of the CPRE Statute is that Duke Energy must commence procurement of the remaining Transition MW prior to the end of the 45-month period, meaning a Tranche 3 could occur by November 2021. In other words, under this approach, CPRE Tranche 3 will commence in less than five months from now, so there will not be any sort of extended delay in the contemplated initial CPRE procurement period unless otherwise directed by the Commission. Moreover, as the Public Staff recognizes, Duke Energy has "achieved" a "reasonable allocation"²¹ of capacity throughout the CPRE Statute and procurement period included therein.

Furthermore, the future step-downs in the now-extended federal investment tax credit ("ITC") highlighted by CCEBA is, by itself, not a sufficient reason to commence a procurement at this time.²² Congress' extension of the federal ITC for solar equipment now provides a longer runway for new solar projects to be placed into service and to receive the benefit of the higher ITC. There are also several bills currently introduced to Congress that would extend the federal investment tax credit and/or add a federal production tax credit for renewable energy resources, including solar. Recognizing the current administration's support for expanding clean energy, some version of these supportive

²⁰ CCEBA Initial Comments, at 3.

²¹ Public Staff Initial Comments, at 4.

²² CCEBA Initial Comments, at 3.

policies have a reasonable likelihood of becoming law. Moreover, while it is true that future step-downs in federal ITCs would put some limited upward pressure on solar developers' cost to build, such an outcome would only be the case assuming no other changes to the solar market occur. Numerous factors including changes in the installed cost of solar facilities, increases in solar panel efficiency, and changes to solar project financing structures, can all impact solar project development cost and possibly offset reductions in federal ITCs over time. In sum, the federal ITC available to solar projects are just one consideration amongst many in determining how to "reasonably allocate" CPRE procurement over the required 45-month period, and it is unreasonable to argue that future step-downs in federal ITCs alone should dictate an immediate "full procurement," especially recognizing that solar development costs are likely to decrease in the future.

Last, Duke Energy disagrees with CCEBA's comment that a limited "delay" to accurately determine the Transition MW for a properly-sized Tranche 3 procurement to commence in fall 2021 constitutes a "long hiatus in solar development and procurement opportunities in North Carolina"²³ that would chill development and increase customer costs. Putting aside that CCEBA offers no support for this generalized assertion, commencing Tranche 3 by November 21, 2021—less than five months from now and within the contemplated 45-month period—is not a "long hiatus." CCEBA's comment also ignores the fact that substantial development and construction of renewable projects is also still underway. The Companies currently project that by 2022, approximately 1,150-1,400 MW of additional renewable projects will be interconnected, meaning that there is and will remain a substantial development and construction pipeline in the Carolinas.

²³ CCEBA Initial Comments, at 3.

Additionally, the CPRE planning process under Rule R8-71(h) provides for significant transparency into Duke Energy's ongoing CPRE planning and procurement process that appropriately allows developers to plan for future procurements in NC. In short, commencing Tranche 3 by November 21, 2021 and within the 45-month procurement period is reasonable and consistent with the CPRE framework. CCEBA's policy arguments in support of an "immediate" procurement "regardless" of Transition MW conflicts with the CPRE Statute's procurement framework and should be rejected.

C. Consideration of additional competitive procurements based upon future IRP need are beyond the scope of the Commission's request for comments in its *Order Requesting Update*, but could be further considered as part of the Commission's review of Duke Energy's 2021 CPRE Program Plan.

As explained above, Duke Energy recognizes that the CPRE Statute provides for Commission oversight of "new" CPRE procurement following the termination of the initial 45-month period based on consideration of future IRP need for renewable energy resources. However, the Commission's *Order Requesting Update* did not expressly request parties to comment on the CPRE Statute's provision regarding future IRP-based procurement and, as such, Duke Energy submits that this limited update proceeding is not the appropriate forum to determine additional procurement based upon the Companies' pending 2020 IRPs. In addition, and as explained above, the CPRE Statute clearly does not contemplate new IRP-based competitive procurement until the end of the initial 45month procurement period, which has not yet occurred.

The Companies agree with the Public Staff's comments that DEC's and DEP's 2020 IRPs' Base Portfolios without carbon policy (Plan A) and with carbon policy (Plan

B) identify that significant incremental solar (including mandated,²⁴ designated,²⁵ and undesignated²⁶ capacity resources) is planned over the 2021 to 2035 planning period.²⁷ However, it is important to note that the Public Staff's figure presenting "Cumulative New Solar Capacity" in the Base Plans between 2022 and 2030 presents a summary picture of total future solar and includes amounts that are already required or assumed to be procured (*i.e.*, designated or mandated capacity). Stated differently, a portion of the cumulative new solar capacity amounts presented in the Public Staff's table will be procured or constructed outside of any further IRP-based CPRE procurement after the 45-month period. As a result, directing procurement of those amounts through an IRP-based CPRE procurement would result in substantial over-procurement far in excess of any "showing of need evidenced [by the 2020 IRPs]" under the CPRE Statute. The complexity of assuring appropriate analysis on this issue further underscores that this limited comment period is not the appropriate forum in which to make such critical decisions, particularly where the Commission did not expressly solicit comments on this distinct aspect of the CPRE Statute.

²⁴ "Mandated" capacity is defined in Duke's 2020 IRPs as "Capacity that is not yet under contract but is required through legislation (examples include future tranches of CPRE, the renewables energy procurement program for large customers, and community solar under NC HB 589, as well as SC Act 236)." Duke Energy Progress Integrated Resource Plan 2020 Biennial Report, at 44, Docket No. E-100, Sub 165 (Sept. 1, 2020) ("DEP 2020 IRP"); Duke Energy Carolinas Integrated Resource Plan 2020 Biennial Report, at 43, Docket No. E-100, Sub 165 (Sept. 1, 2020) ("DEC 2020 IRP").

²⁵ "Designated" capacity is defined in Duke's 2020 IRPs as "Contracts that are already connected today or those who have yet to connect but have an executed PPA are assumed to be designated for the duration of the purchase power contract." DEP 2020 IRP, at 44; DEC 2020 IRP, at 43.

²⁶ "Undesignated" capacity is defined in Duke's 2020 IRPs as "Additional capacity projected beyond what is already designated or mandated. Expiring solar contracts are assumed to be replaced in kind with undesignated solar additions. Such additions may include existing facilities or new facilities that enter into contracts that have not yet been executed." DEP 2020 IRP, at 44; DEC 2020 IRP, at 43. ²⁷ Public Staff Initial Comments, at 7.

III. Duke Energy agrees to update the Commission on the status of CPRE Tranche 3 as suggested by the Public Staff.

The Public Staff recommends that the "amount of capacity that should be procured through the CPRE should be determined by thorough review of the IRP and the filing of a revised CPRE Program Plan."²⁸ The Public Staff therefore requests the Commission require Duke Energy to update the Commission on both needed Transition MW as well as future needed renewable capacity to be procured after the initial 45-month period and identified in Duke Energy's 2020 IRPs through an updated CPRE Program Plan.²⁹

Duke Energy finds the Public Staff's recommended approach reasonable, and agrees to file a new CPRE Program Plan that includes an additional CPRE tranche occurring after the initial CPRE procurement period for any awarded CPRE procurement target and a portion of the renewable capacity identified in the 2020 IRPs. Duke Energy plans to file its new CPRE Program Plan on September 1, 2021 and include in the Plan a proposed timeline for initiation of CPRE Tranche 3 and estimated, targeted amounts of 1) Transition MW; and 2) additional renewable energy resources demonstrated to be needed based upon the Companies' IRP.

Notably, as explained in Duke Energy's initial comments, at the time of filing the CPRE Program Plan, Duke Energy will not know the final Transition MW total. Duke Energy will therefore plan to update the Commission once the final Transition MW is known (in November 2021) to ensure the targeted CPRE procurement amount and goals of the CPRE Statute are achieved and to allow the Commission to render its final decision regarding the adjustment needed to the targeted CPRE procurement amount.

²⁸ Id. at 7.

²⁹ Id. at 7-8.

CONCLUSION

WHEREFORE, Duke Energy Carolinas, LLC and Duke Energy Progress, LLC

respectfully request that the Commission accept these reply comments as set forth herein.

Respectfully submitted, this the 30th day of June, 2021.

DUKE ENERGY CAROLINAS, LLC AND DUKE ENERGY PROGRESS, LLC

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