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October 29, 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 Carolinas, LLC and Duke Energy Progress, LLC
Late-Filed Exhibit No. 1 (Supplement)
Docket No. E-7, Sub 1214
Docket No. E-7, Sub 1213
Docket No. E-7, Sub 1187
Docket No. E-2, Sub 1219
Docket No. E-2, Sub 1193

Dear Ms. Campbell:

On September 2, 2020, Duke Energy Carolinas, LLC and Duke Energy Progress, LLC filed Duke Consolidated Hearing Late Filed Exhibit No. 1, which provided a response to Commission questions regarding the impact upon the Companies' credit metrics, as of December 31, 2019, of various hypothetical scenarios.

At the close of the expert evidentiary hearings in the DEP-specific hearings, the Commission indicated that it would like various cost recovery scenarios to be included in the parties' briefing. In order to facilitate the Commission's review and consideration of the scenarios, I enclose for filing a supplement to Late-Filed Exhibit No. 1. The Supplement consists of two pages. The first page is identical to Schedule B of Late-Filed Exhibit No. 1. The second page presents, in the same format, information with respect to three additional scenarios responsive to the Commission's remarks at the close of the DEP-specific expert evidentiary hearings.

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

Sincerely,

/s/ Kiran H. Mehta

Kiran H. Mehta

Enclosure

cc: Parties of Record

**Duke Consolidated Hearing Late Filed Exhibit No. 1, Schedule B- SUPPLEMENT
Docket Nos. E-7, Sub 1214 and E-2, Sub 1219**

Coal Ash Basin Closure Cost Recovery Scenarios and Impacts on DEC and DEP Creditworthiness¹ and Average Retail Rates

	1. Existing Recovery Mechanism ²	2. Recovery of future (2021 and later) coal ash costs using a run rate based upon current test year (2018) coal ash spend, combined with recovery of all deferred coal ash costs (under the Existing Recovery Mechanism) until the implementation of the run rate	3. Recovery of future (2021 and later) coal ash costs using a run rate based upon a five-year average (2021-25) coal ash spend, combined with recovery of all deferred coal ash costs (under the Existing Recovery Mechanism) until the implementation of the run rate	4. Recovery under Existing Recovery Mechanism, but with a 10-year amortization period	5. Recovery as allowed by the February 2020 Dominion NC Order (ten-year amortization without a return)
Amortization period	5 years	None with respect to future cost; 5 years with respect to deferred costs	None with respect to future cost; 5 years with respect to deferred costs	10 years	10 years
Full return of investment ³	Yes	Yes, assuming run rate under-recovery in any year is deferred and later recovered	Yes, assuming run rate under-recovery in any year is deferred and later recovered	Yes	No
WACC return on investment	Yes	No as to future costs, apart from deferral of under-recovery in any given year	No as to future costs, apart from deferral of under-recovery in any given year	Yes	No
Rating agency treatment	Capitalized	Deferred costs: Capitalized Future cost: Expensed	Deferred costs: Capitalized Future cost: Expensed	Capitalized	Expensed
Est. impact to DEC's 2019 FFO/Debt credit metrics	No impact	Reduction of 26 basis points: 25.8%	Reduction of 29 basis points: 25.8%	Reduction of 29 basis points: 25.8%	Reduction of 228 basis points: 23.8%
Est. impact to DEP's 2019 FFO/Debt credit metrics	No impact	Reduction of 174 basis points: 20.8%	Reduction of 169 basis points: 20.9%	Reduction of 43 basis points: 22.2%	Reduction of 402 basis points: 18.6%
Approximate average retail rate impact ⁴					
DEC	2.0%	5.1%	5.0%	1.2%	0.8%
DEP	3.0%	6.0%	6.1%	1.9%	1.2%

¹ These credit quality impacts reflect the NC retail coal ash cost portions only and therefore understate the overall negative credit quality impacts the Credit Rating agencies would apply to not only DEC and DEP, but the holding company and other affiliate utilities.

² "Existing Recovery Mechanism" refers to the recovery mechanism ordered by the Commission in the 2018 Rate Orders.

³ Assumes Commission finds that costs are prudently incurred.

⁴ The rate impacts are for coal ash only and do not include other impacts of the case. Also, they do not include the gross ups for uncollectibles, NCUC regulatory fees, or impacts on interest synchronization or cash working capital, which would be included in actual rate calculations.

**Duke Consolidated Hearing Late Filed Exhibit No. 1, Schedule B- SUPPLEMENT
Docket Nos. E-7, Sub 1214 and E-2, Sub 1219**

	New 6. Recovery under Existing Recovery Mechanism, but with a 10-year amortization period; plus a run rate/rider based upon a five-year average (2021-25) coal ash spend.	New 7. Debt only return on deferred amounts amortized over 5 years; plus a run rate/rider based upon a five-year average (2021-25) coal ash spend.	New 8. Debt only return on deferred amounts amortized over 5 years.
Amortization period	10 years with respect to deferred costs; None with respect to future cost.	5 years with respect to deferred costs; None with respect to future cost.	5 years
Full return of investment ⁵	Yes, assuming run rate under-recovery in any year is deferred and later recovered with a WACC return	Not on deferred costs. Yes, on future costs, assuming run rate under-recovery in any year is deferred and later recovered with a WACC return	No
WACC return on investment	Yes – as to deferred cost No – as to future cost, apart from deferral of under recovery in any given year	No	No
Rating agency treatment	Expensed	Expensed	Expensed
Est. impact to DEC’s 2019 FFO/Debt credit metrics	Reduction of 59 basis points: 25.5%	Reduction of 42 basis points: 25.7%	Reduction of 164 basis points: 24.4%
Est. impact to DEP’s 2019 FFO/Debt credit metrics	Reduction of 213 basis points: 20.5%	Reduction of 188 basis points: 20.7%	Reduction of 312 basis points: 19.5%
Approximate average retail rate impact ⁶			
DEC	4.2%	4.7%	1.7%
DEP	5.0%	5.6%	2.5%

⁵ Assumes Commission finds that costs are prudently incurred.

⁶ The rate impacts are for coal ash only and do not include other impacts of the case. Also, they do not include the gross ups for uncollectibles, NCUC regulatory fees, or impacts on interest synchronization or cash working capital, which would be included in actual rate calculations.

CERTIFICATE OF SERVICE

DOCKET NO. E-7, SUB 1214
DOCKET NO. E-7, SUB 1213
DOCKET NO. E-7, SUB 1187
DOCKET NO. E-2, SUB 1219
DOCKET NO. E-2, SUB 1193

I hereby certify that a copy of the foregoing **LATE FILED EXHIBIT NO. 1 (SUPPLEMENT)** was served electronically or by depositing a copy in United States Mail, first class postage prepaid, properly addressed to the parties of record.

This the 29th day of October 2020.

/s/ Kiran H. Mehta

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