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June 2, 2021

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's and Duke Energy Progress, LLC's
Notice of the Commencement of Cost of Service Study Analyses
Docket Nos. E-7, Sub 1214 and E-2, Sub 1219**

Dear Ms. Campbell:

Pursuant to the North Carolina Utilities Commission's (the "Commission") March 31, 2021 *Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice* in Docket No. E-7, Sub 1214 and its April 16, 2021 *Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice* in Docket No. E-2, Sub 1219 (collectively, the "Orders"), Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and collectively with DEC, the "Companies") hereby provide notice of the initiation of the Companies' analyses of various cost of service study methodologies consistent with the terms of the Second Agreement and Stipulation of Partial Settlement entered into between the Public Staff and DEC and DEP, respectively (collectively, the "Second Partial Stipulations"). Therefore, this communication is to notify all parties to the rate cases of the opportunity to express their interest in being consulted throughout the study process as an interested party.

Scope and Timing

Pursuant to the Second Partial Stipulations, prior to the filing of the Companies' next general rate cases the Companies are required to undertake analyses of additional cost of service studies subject to the following conditions:

- 1) The Companies agree to analyze and develop cost of service studies based on each of the following methodologies:
 - a. Single Summer Coincident Peak;
 - b. Single Winter Coincident Peak;
 - c. One that utilizes the four highest monthly system peaks (two monthly peaks in summer and two monthly peaks in winter);
 - d. Summer Winter Peak and Average;

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- e. Base Intermediate and Peak (as described in the Regulatory Assistance Project (“RAP”) “Electric Cost Allocation for a New Era” Manual, published January 2020); since the Companies’ accounting systems do not have the data developed to produce such a study, this method may be analyzed by looking at how it has been used at another utility or with a higher level hypothetical analysis;
- f. One that utilizes the twelve highest monthly system peaks in the test year; and
- g. Any other identified relevant methodologies.

To the extent cost of service studies were developed in the current rate cases for these methodologies, those studies may be used for the analysis, and to the extent cost of service studies for a methodology have not already been developed, the underlying adjusted cost of service data from the current rate cases may be used to develop the studies.

2) Each methodology studied will include an evaluation of the allocation of the functions of utility service (production plant, transmission plant, distribution plant, and customer costs), including an identification of which cost components associated with these functions of utility service are fixed, and which are variable costs of service. The above methodologies only impact production and transmission allocations; however, the cost of service studies will show the allocation of all functions. For purposes of this study, all demand and customer classified costs can be designated as fixed and all energy classified costs can be designated as variable.

3) Each methodology studied will include an evaluation of its strengths and weaknesses on both a jurisdictional and class allocation basis.

4) Included in the study shall be a discussion of how the allocation of fuel and other variable operations and maintenance (“O&M”) expenses align with system planning.

5) The Companies shall consult with the Public Staff and any other interested parties throughout the study process.

Contact

The Companies request that interested parties email Skip Seekamp at Richard.Seekamp@duke-energy.com to receive upcoming meeting notices and periodic updates as the study progresses.

Thank you for your attention to this matter. 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, overlapping flourish.

Camal O. Robinson

cc: Parties of Record

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's Notice of the Commencement of Cost of Service Study Analyses, in Docket Nos. E-7, Sub 1214 and E-2, Sub 1219, has been served by electronic mail, hand delivery, or by depositing a copy in the United States Mail, 1st Class Postage Prepaid, properly addressed to parties of record.

This the 2nd day of June, 2021.



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