

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1213

In the Matter of  
Application of Duke Energy Carolinas, )  
LLC, for Adjustment of Rates and )  
Charges Applicable to Electric Utility )  
Service in North Carolina )

DOCKET NO. E-7, SUB 1214 )

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TESTIMONY OF  
MICHELLE M. BOSWELL  
PUBLIC STAFF – NORTH  
CAROLINA UTILITIES  
COMMISSION

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ON BEHALF OF THE PUBLIC STAFF  
NORTH CAROLINA UTILITIES COMMISSION**

**FEBRUARY 18, 2020**

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

3 A. My name is Michelle M. Boswell. My business address is 430 North  
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a  
5 Staff Accountant with the Accounting Division of the Public Staff –  
6 North Carolina Utilities Commission.

7 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

8 A. My qualifications and duties are included in Appendix A.

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

10 A. The purpose of my testimony is to present the accounting and  
11 ratemaking adjustments I am recommending, as well as those  
12 recommended by other Public Staff witnesses, as a result of the  
13 Public Staff's investigation of the revenue, expenses, and rate base

1 presented by Duke Energy Carolinas, LLC (DEC or the Company) in  
2 support of its September 30, 2019, request for \$445,331,000 in  
3 additional North Carolina retail revenue.

4 **Q. WHAT REVENUE DECREASE IS THE PUBLIC STAFF**  
5 **RECOMMENDING?**

6 A. Based on the level of rate base, revenue, and expenses annualized  
7 for the test period ended December 31, 2018, with certain updates,  
8 the Public Staff is recommending an increase in annual operating  
9 revenue of \$66,536,000.

10 **Q. MS. BOSWELL, PLEASE DESCRIBE THE SCOPE OF YOUR**  
11 **INVESTIGATION INTO THE COMPANY'S FILING.**

12 A. My investigation included a review of the application, testimony,  
13 exhibits, and other data filed by the Company, an examination of the  
14 books and records for the test year, and a review of the Company's  
15 accounting, end-of-period, and after-period adjustments to test year  
16 revenue, expenses, and rate base. The Public Staff has also  
17 conducted extensive discovery in this matter, including the review of  
18 numerous data responses provided by the Company in response to  
19 data requests, participation in conference calls with the Company,  
20 and on-site visits to review documents and interview personnel.

1   **Q.   PLEASE BRIEFLY DESCRIBE THE PUBLIC STAFF'S**  
2   **PRESENTATION OF THE ISSUES IN THIS CASE.**

3   A.   Each Public Staff witness will present testimony and exhibits  
4   supporting his or her position and recommend any appropriate  
5   adjustments to the Company's proposed rate base and cost of  
6   service. My exhibits reflect and summarize these adjustments, as  
7   well as the adjustments I recommend.

8   **Q.   PLEASE GIVE A MORE DETAILED DESCRIPTION OF THE**  
9   **ORGANIZATION OF YOUR EXHIBITS.**

10  A.   Schedule 1 of Boswell Exhibit 1 presents a reconciliation of the  
11   difference between the Company's requested increase of  
12   \$445,331,000 and the Public Staff's recommended increase of  
13   \$66,536,000.

14   Schedule 2 presents the Public Staff's adjusted North Carolina retail  
15   original cost rate base. The adjustments made to the Company's  
16   proposed level of rate base are summarized on Schedule 2-1 and  
17   are detailed on backup schedules.

18   Schedule 3 presents a statement of net operating income for return  
19   under present rates as adjusted by the Public Staff. Schedule 3-1  
20   summarizes the Public Staff's adjustments, which are detailed on  
21   backup schedules.

1 Schedule 4 presents the calculation of required net operating  
2 income, based on the rate base and cost of capital recommended by  
3 the Public Staff.

4 Schedule 5 presents the calculation of the required increase in  
5 operating revenue necessary to achieve the required net operating  
6 income. This revenue increase is equal to the Public Staff's  
7 recommended increase shown at the bottom of Schedule 1.

8 . Boswell Exhibit 2 sets forth the calculation of an annual excess  
9 deferred income taxes (EDIT) Rider for unprotected taxes to be in  
10 effect for five years, the calculation of a one-year Rider to refund the  
11 provisional taxes, and the calculation of a one-year Rider to refund  
12 the recent decrease of state taxes.

13 **Q. MS. BOSWELL, WHAT ADJUSTMENTS TO THE COMPANY'S**  
14 **COST OF SERVICE DO YOU RECOMMEND?**

15 A. I am recommending adjustments in the following areas:

- 16 1) Adjust Test Year Revenues
- 17 2) Updated Net Plant and Depreciation Expense
- 18 3) Update for New Depreciation Rates
- 19 4) Removal of Belews Creek Plant and Depreciation  
20 Expense
- 21 5) Updated Revenues and Non-Fuel Variable Operation  
22 and Maintenance (O&M) Expenses
- 23 6) Cash Working Capital Under Present Rates
- 24 7) Effect of Inflation on Non-Fuel O&M Expenses

- 1 8) Payroll
- 2 9) Executive Compensation
- 3 10) Board of Directors Expenses
- 4 11) Incentive Plans
- 5 12) Aviation Expenses
- 6 13) Outside Services
- 7 14) Allocations from DEBS
- 8 15) Lobbying Expenses
- 9 16) Distribution Vegetation Management
- 10 17) Credit Card Fees
- 11 18) Advertising Expenses
- 12 19) Hydro Station Sale
- 13 20) Storm Deferral and Normalization
- 14 21) Sponsorships and Donations
- 15 22) Rate Case Expense and Amortization
- 16 23) O&M Associated with Retired Hydro Plant
- 17 24) Severance
- 18 25) Interest Synchronization
- 19 26) Cash Working Capital Effect of Increase
- 20 27) Excess Deferred Income Taxes (EDIT)

21 **Q. WHAT ADJUSTMENTS RECOMMENDED BY OTHER PUBLIC**  
22 **STAFF WITNESSES DO YOUR EXHIBITS INCORPORATE?**

23 A. My exhibits reflect the following adjustments recommended by other  
24 Public Staff witnesses:

- 25 1) The recommendations of Public Staff witness Woolridge  
26 regarding the capital structure, embedded cost of long-term  
27 debt, and return on common equity;

- 1           2)     The recommendation of Public Staff witness McLawhorn  
2                   regarding the Cost of Service Methodology;
- 3           3)     The recommendations of Public Staff witness Metz regarding  
4                   project costs included in plant in service and plant retirements;
- 5           4)     The recommendations of Public Staff witness McCullar of  
6                   William Dunkel and Associates regarding the Company's  
7                   depreciation study;
- 8           5)     The recommendations of Public Staff witnesses Tommy  
9                   Williamson and David Williamson regarding Vegetation  
10                  Management and the Grid Improvement Plan (GIP);
- 11          6)     The recommendations of Public Staff witness Maness  
12                  regarding ARO and non-ARO environmental costs,  
13                  reclassification of non-ARO deferred environmental costs,  
14                  and GIP;
- 15          7)     The recommendation of Public Staff witness Saillor regarding  
16                  customer growth, usage, and weather normalization; and
- 17          8)     The recommendation of Public Staff witness Jeffrey Thomas  
18                  regarding the GIP.

19   **Q.     PLEASE DESCRIBE ITEMS THE PUBLIC STAFF ACCOUNTING**  
20   **DIVISION REVIEWED BUT FOR WHICH IT DID NOT MAKE**  
21   **ADJUSTMENTS.**

1 A. The Public Staff's investigation included procedures to evaluate and  
2 review all adjustments proposed by the Company in its initial  
3 application and filing. These procedures included a review of the  
4 Company's filing, prior Commission orders, and other Company data  
5 provided to the Public Staff. As discussed above, the Public Staff  
6 conducted extensive discovery of the Company's application  
7 including all of the E-1, Item 10 proforma adjustments, as well as  
8 other areas identified by the Public Staff where the Company did not  
9 make an adjustment. Additionally, we looked at the fluctuations for  
10 rate base expenditures, and O&M expenses for one, three, and five-  
11 year periods to further review any anomalies that may have surfaced.

12 **Q. PLEASE DESCRIBE YOUR RECOMMENDED ADJUSTMENTS.**

13 A. My adjustments are described below.

14 **ADJUST TEST YEAR REVENUES**

15 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO TEST-YEAR**  
16 **REVENUES.**

17 A. I have adjusted test-year revenues to reflect usage, customer  
18 growth, and weather normalization adjustments recommended by  
19 Public Staff witness Saillor. I have made a corresponding adjustment  
20 for the increase in customer-related O&M expenses that result from  
21 the additional customers related to the Company's adjustment to  
22 revenues. I have also made corresponding adjustments to fuel and

1 energy-related non-fuel O&M expenses for the change in kilowatt  
2 hours resulting from the Company's and the Public Staff's  
3 adjustments to revenues.

4 **UPDATED NET PLANT AND DEPRECIATION EXPENSE**

5 **Q. PLEASE EXPLAIN HOW PLANT, ACCUMULATED**  
6 **DEPRECIATION, AND DEPRECIATION EXPENSE ARE**  
7 **RELATED.**

8 A. As the Company places new plant into service, it increases its rate  
9 base. Upon being placed in service, the plant begins to depreciate,  
10 and depreciation expense is recorded each accounting period (and  
11 recovered from ratepayers) as the plant is used in providing service.  
12 The cumulative amount of depreciation expense is reflected on the  
13 balance sheet as accumulated depreciation, which is deducted from  
14 the original cost of the plant to determine net plant. Net plant (i.e.,  
15 total plant, net of accumulated depreciation) is used to calculate the  
16 rate base on which the Company is allowed to earn a return, while  
17 depreciation expense is an input in the calculation of net operating  
18 income.

19 **Q. PLEASE EXPLAIN THE COMPANY'S COMPUTATION OF NET**  
20 **PLANT.**

21 A. The Company began its calculation of net plant with the plant and  
22 accumulated depreciation amounts recorded as of December 31,

1 2018, including the annual level of depreciation on the estimated  
2 plant additions as well as the matching amount of estimated  
3 accumulated depreciation through January 2020.

4 **Q. PLEASE EXPLAIN HOW YOU HAVE COMPUTED NET PLANT.**

5 A. My calculation begins with plant, accumulated depreciation, and net  
6 plant based on the Company's actual per books plant in service and  
7 accumulated depreciation amounts as of the update period ending  
8 November 30, 2019, which include rate base customer growth-  
9 related actual plant additions.

10 **Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN YOUR**  
11 **AMOUNT OF NET PLANT AND THE COMPANY'S AMOUNT.**

12 A. I have reflected updated net plant for known and actual changes to  
13 depreciation expense and non-generation plant retirements that  
14 have been recorded between the end of the test year (December 31,  
15 2018) and November 30, 2019. Because I have updated plant and  
16 accumulated depreciation to reflect the Company's actual November  
17 30, 2019, per books amounts, I have also considered the effect of  
18 normal retirements on the computation of depreciation expense.  
19 Pursuant to the FERC Uniform System of Accounts, normal  
20 retirements of plant reduce plant and accumulated depreciation by  
21 offsetting amounts, and, thus, do not affect the amount of net plant  
22 reflected as a component of rate base. If retirements are not properly

1 reflected in the amount of plant used to compute depreciation  
2 expense, depreciation expense will be overstated.

3 **Q. BY MAKING THIS ADJUSTMENT TO UPDATE ACCUMULATED**  
4 **DEPRECIATION FOR DEPRECIATION EXPENSE THAT HAS**  
5 **BEEN RECOVERED FROM RATEPAYERS SINCE THE END OF**  
6 **THE TEST PERIOD, IS THE PUBLIC STAFF CHANGING THE**  
7 **TEST PERIOD?**

8 A. No. Consistent with N. C. Gen. Stat. § 62-133, we have used the  
9 historic test year to determine the cost of service for DEC. When  
10 justified, we have updated expenses, revenues, and investment to  
11 reflect the Company's most recent ongoing levels for these items,  
12 based on actual known and measurable changes occurring after the  
13 test year, just as DEC did in its initial testimony. The costs of the  
14 plant additions that the Company included are known and  
15 measurable, as are the plant retirements that have occurred and the  
16 depreciation that has been recovered from ratepayers, since the end  
17 of the test period. The Public Staff updated plant and accumulated  
18 depreciation to reflect actual per books amounts as of November 30,  
19 2019, because that date represents the same point in time that the  
20 Public Staff used to update customer growth.

21 While the Public Staff's adjustment to accumulated depreciation is  
22 beyond the test year, it recognizes and maintains its relationship with

1 plant and other cost of service items and is permitted by N.C. Gen.  
2 Stat. § 62-133(c) and (d). N.C. Gen. Stat. § 62-133(c) provides that  
3 the Commission shall consider evidence of changes in costs,  
4 revenues, or rate base after the test year, while N.C. Gen. Stat. § 62-  
5 133(d) requires the Commission to consider all material facts to allow  
6 it to set just and reasonable rates. The changes in plant,  
7 depreciation expense, and accumulated depreciation since the test  
8 year are exactly the type of changes and material facts that the  
9 Commission must consider pursuant to N.C. Gen. Stat. § 62-133(c)  
10 and (d).

11 The adjustment I recommend is consistent with the Commission's  
12 past treatment of comprehensive plant updates beyond the end of  
13 the test year. Adjustments like this have been consistently approved  
14 by the Commission in rate cases for natural gas utilities since the  
15 1990's.<sup>1</sup>

16 **Q. DO YOU HAVE ANY OTHER RECOMMENDATIONS REGARDING**  
17 **PLANT?**

18 A. Yes. In the process of our investigation, I noted the Company has a  
19 significant backlog in unitizing plant to the appropriate plant account  
20 for depreciation. Unitization is the process of closing plant projects

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<sup>1</sup> Per Commission Orders in Public Service Company of North Carolina, Inc., Docket No. G-5, Sub 565; Piedmont Natural Gas Company, Inc., Docket No. G-9, Sub 631; and Dominion North Carolina Power, Docket Nos. E-22, Sub 479 and Sub 532.

1 into individual FERC plant accounts for appropriate depreciation.  
2 Plant retirements related to the plant projects are normally handled  
3 simultaneously with unitization of plant projects. My investigation  
4 revealed the Company is currently three to four years behind in  
5 unitizing plant projects to the appropriate plant accounts. Typically,  
6 unitization of plant occurs within three to nine months upon  
7 completion of plant, with larger plants comprising the longer time  
8 period to unitize. The delay in unitizing plant to the appropriate  
9 accounts misstates depreciation expense, because a general  
10 depreciation rate is utilized instead of the specific rate for the specific  
11 plant accounts. The Company stated it was working with accounting  
12 firm, Ernst & Young, to develop a plan for both the generation and  
13 power delivery plant categories to begin working on the backlog. The  
14 Public Staff recommends the Company file with the Commission its  
15 plans to reduce the backlog, within 90 days of the Commission's  
16 Order in this case, and implement the proposed plans and  
17 procedures to decrease the lag in unitization.

18 **UPDATE FOR NEW DEPRECIATION RATES**

19 **Q. PLEASE DESCRIBE YOUR ADJUSTMENT TO DEPRECIATION**  
20 **EXPENSE.**

1 A. Based on the recommendations of Public Staff witness McCullar,  
2 I have made an adjustment to depreciation expense to reflect her  
3 recommended depreciation rates.

4 **Q. DOES THE PUBLIC STAFF HAVE ANY ADDITIONAL**  
5 **ADJUSTMENTS TO DEPRECIATION RATES?**

6 A. Based on the Company's testimony, the Company has indicated that  
7 it is planning to retire Units 4 and 5 of the Allen Power Station in 2024  
8 and Unit 5 of the Cliffside Power Station in 2026. The details  
9 regarding the retirements of these generating plants are further  
10 discussed in the testimony of Public Staff witness Metz. As a result  
11 of these retirements, the Company has recommended a five-year  
12 depreciation rate for the plants. I have recommended that Public  
13 Staff witness McCullar restore the depreciation rate of these units to  
14 the depreciation rate approved in the Company's last general rate  
15 case in Docket No. E-7, Sub 1146. I have recommended this rate  
16 change for the following reasons. First, although the Company has  
17 stated in its testimony that it intends to retire these plants, it has not  
18 presently done so. Second, the Public Staff has consistently  
19 recommended leaving the depreciation rates set at the original  
20 retirement date of the plant, and, at the date of actual physical  
21 retirement, any remaining net book value be placed in a regulatory  
22 asset account and amortized over an appropriate period, to be  
23 determined in a future general rate case. The Public Staff believes

1 it is appropriate to continue this consistent treatment of retired plants  
2 in the present case.

3 **REMOVAL OF BELEWS CREEK PLANT AND DEPRECIATION**  
4 **EXPENSE**

5 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO REMOVE BELEWS**  
6 **CREEK PLANT AND DEPRECIATION EXPENSE.**

7 A. I have incorporated an adjustment to include the recommendation of  
8 Public Staff witness Metz to disallow costs related to the Belews  
9 Creek Project. I have also made corresponding adjustments to  
10 depreciation expense and accumulated depreciation to reflect his  
11 recommendation.

12 **UPDATED REVENUES AND NON-FUEL VARIABLE O&M**  
13 **EXPENSES**

14 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO UPDATE**  
15 **REVENUES AND VARIABLE NON-FUEL O&M EXPENSES.**

16 A. As part of my update to plant and related items, I have updated  
17 revenues to reflect the effect of usage and customer growth  
18 adjustments as of November 30, 2019, based on the  
19 recommendation of Public Staff witness Sailor. I have made a  
20 corresponding adjustment for the increase in customer-related O&M  
21 expenses that result from the additional customers. I have also  
22 made corresponding adjustments to fuel and energy-related non-fuel

1 O&M expenses for the additional kilowatt hours resulting from  
2 increased sales.

3 **CASH WORKING CAPITAL UNDER PRESENT RATES**

4 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO CASH WORKING**  
5 **CAPITAL UNDER PRESENT RATES.**

6 A. The Company computed cash working capital using the lead-lag  
7 study method and then adjusted it to fully reflect all of the Company's  
8 proposed adjustments, before the amount of the proposed rate  
9 increase. I have likewise adjusted cash working capital under  
10 present rates to reflect all of the Public Staff's adjustments, in  
11 accordance with the Commission's Order in Docket No. M-100, Sub  
12 137. Furthermore, through our investigation, the Public Staff  
13 discovered several errors in the new lead-lag study filed by the  
14 Company. I have incorporated the corrections to these errors in  
15 calculating the cash working capital under present rates. This cash  
16 working capital adjustment is reflected on Schedule 2-1 and  
17 incorporates the effect of the Public Staff's adjustments, before the  
18 rate increase, on the lead-lag study.

19 **EFFECT OF INFLATION ON NON-FUEL O&M EXPENSES**

20 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO THE COMPANY'S**  
21 **INFLATION ADJUSTMENT?**

1 A. The Company adjusted annual non-labor, non-fuel O&M costs, to  
2 reflect the increase in costs during the test year that occurred due to  
3 the effect of inflation as of December 31, 2018. I have adjusted the  
4 amount to reflect the inflation factor through November 30, 2019, to  
5 coordinate with other items updated through that same point in time.  
6 I have also modified the Company's inflation adjustment to reflect the  
7 Public Staff's adjustment to include variable O&M expenses for  
8 changes in customer growth and the removal of aviation expenses,  
9 Board of Directors (BOD) expenses, outside services expenses,  
10 uncollectibles, sponsorships and donations, and advertising.

11 **PAYROLL**

12 **Q. PLEASE EXPLAIN THE PUBLIC STAFF'S ADJUSTMENT TO**  
13 **PAYROLL.**

14 A. I have adjusted the Company's payroll to include the updated payroll  
15 amounts and allocation factors through November 2019, as provided  
16 by the Company in response to a data request.

17 **EXECUTIVE COMPENSATION AND BENEFITS**

18 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO EXECUTIVE**  
19 **COMPENSATION AND BENEFITS?**

20 A. The Company made an adjustment to remove 50 percent of the  
21 compensation of the five Duke Energy executives with the highest  
22 level of compensation allocated to DEC in the test period. I made an

1 additional adjustment to remove 50 percent of the benefits  
2 associated with these top five Duke Energy executives. This  
3 adjustment is consistent with the positions taken by the Public Staff  
4 and approved by the Commission in past general rate cases  
5 involving investor-owned electric utilities serving North Carolina retail  
6 customers. The Public Staff believes that it would be inconsistent to  
7 remove the compensation of these five executives without also  
8 removing the benefits related to that compensation.

9 **Q. IS YOUR RECOMMENDATION BASED ON THE PREMISE THAT**  
10 **THE COMPENSATION AND BENEFITS OF THE EXECUTIVE**  
11 **OFFICERS YOU HAVE SELECTED ARE EXCESSIVE OR**  
12 **SHOULD BE REDUCED?**

13 A. No. This recommendation is based on the Public Staff's belief that it  
14 is appropriate and reasonable for the shareholders of the larger  
15 electric utilities to bear some of the cost of compensating those  
16 individuals who are most closely linked to furthering shareholder  
17 interests, which are not always the same as those of ratepayers.  
18 Officers have fiduciary duties of care and loyalty to shareholders, but  
19 not to customers. Consequently, the Company's executive officers  
20 are obligated to direct their efforts not only to minimizing the costs  
21 and maximizing the reliability of DEC's service to customers, but also  
22 to maximizing the Company's earnings and the value of its shares.  
23 It is reasonable to expect that management will serve the

1 shareholders as well as the ratepayers; therefore, a portion of  
2 management salary and benefits should be borne by the  
3 shareholders.

4 **BOARD OF DIRECTORS (BOD) EXPENSES**

5 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO BOD EXPENSES.**

6 A. I have made an adjustment to remove 50 percent of the expenses  
7 associated with the BOD of Duke Energy Corporation that have been  
8 allocated to DEC. The expenses allocated to DEC encompass the  
9 BOD's compensation, insurance, and other miscellaneous  
10 expenses. The premise of this adjustment is closely linked to the  
11 premise of the adjustment made by the Public Staff related to  
12 executive compensation. We believe that it is appropriate and  
13 reasonable for the shareholders of the larger electric utilities to bear  
14 a reasonable share of the costs of compensating those individuals  
15 who have a fiduciary duty to protect the interests of shareholders,  
16 which may differ from the interests of ratepayers. Further, Directors'  
17 and Officers' liability insurance, while a necessary expense for a  
18 corporation, has been utilized to defend the BOD in suits brought by  
19 shareholders regarding issues such as coal ash. It is appropriate for  
20 shareholders to share the cost of the insurance with ratepayers.

1

**INCENTIVE PLANS**

2 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR THE COMPANY'S**  
3 **LONG AND SHORT-TERM INCENTIVE PLANS.**

4 A. DEC offers two incentive plans to its employees: the Short-Term  
5 Incentive Plan (STIP) and the Long-Term Incentive Plan (LTIP). The  
6 STIP is offered to all employees, including executives. The LTIP is  
7 offered to employees at the Director level and above. Approximately  
8 700 employees of Duke Energy Corporation qualify for the LTIP.

9 The STIP consists of goals set and approved by the BOD for a one-  
10 year term. In 2018, the test year in this case, the goals consisted of  
11 Earnings per Share (EPS), Operational Excellence, Customer  
12 Satisfaction, and Safety, as well as team and individual goals. The  
13 LTIP goals consist of Performance Shares, which are further  
14 categorized between EPS, Total Shareholder Return (TSR), and  
15 Safety, and Restricted Stock Units (RSU). Both offerings are set and  
16 approved by the BOD for a three-year period.

17 The Company's payout of STIP is based on the achievement of  
18 targets at minimum, target, and maximum levels. During the test  
19 year, the Company included an adjustment to reduce the STIP from  
20 the 2018 payout level to the 2018 target level. With regard to LTIP,  
21 the Company made an adjustment to remove the 2018 accruals and  
22 replace them with 2019 target accruals.

1 I have adjusted the allowable costs of STIP to exclude the incentive  
2 accruals that were based on the EPS metric. The Public Staff  
3 believes that the incentives related to EPS should be excluded,  
4 because they provide a direct benefit to shareholders rather than to  
5 ratepayers.

6 I have also adjusted the allowable LTIP costs to exclude the  
7 Performance Shares related to the EPS and TSR metrics. The  
8 Public Staff believes that the incentives related to EPS and TSR  
9 should be excluded, because they provide a direct benefit to  
10 shareholders rather than to ratepayers. The Company's BOD  
11 minutes depict a direct link and benefit between the Company's goals  
12 and shareholder's interests. Therefore, these costs should be borne  
13 by shareholders.

14 **AVIATION EXPENSES**

15 **Q. WHAT ADJUSTMENT DO YOU RECOMMEND RELATED TO**  
16 **AVIATION EXPENSES?**

17 A. The Company made an adjustment to O&M expenses to remove an  
18 amount for corporate aviation. The Public Staff made a further  
19 adjustment after investigating the aviation expenses charged to DEC  
20 during the test year. The aviation expenses are incurred by Duke  
21 Energy Corporation, and then a portion is allocated to DEC through  
22 the use of a corporate allocation factor. Based on the Public Staff's

1 review of flight logs, the corporate aircraft are available for use by  
2 Duke Energy Corporation's Chief Executive Officer (CEO) and her  
3 staff. I recommend that certain expenses allocated to DEC be  
4 removed due to the nature of the flights involved. In the course of  
5 our investigation, the Public Staff determined that some of these  
6 flights appear to be either unrelated to the provision of utility service;  
7 or the costs of the flights were incorrectly allocated to DEC.  
8 Additionally, I removed the DEC-allocated portion of commercial  
9 international flights due to the Public Staff's determination the  
10 international flights included were unrelated to the provision of utility  
11 service.

12 **OUTSIDE SERVICES**

13 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OUTSIDE**  
14 **SERVICES.**

15 A. The Public Staff reviewed costs for outside services associated with  
16 expenses that were indirectly charged to DEC by DEBS as well as  
17 those incurred by DEC directly. Our investigation found certain  
18 expenses related to legal and non-legal invoices, which the Public  
19 Staff believes should not be charged to ratepayers. Based on our  
20 understanding, the Company agrees that these items should be  
21 removed based on the Public Staff's review.

1

**LOBBYING EXPENSES**

2

**Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO LOBBYING EXPENSES.**

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4

A. The Company assigned some lobbying expenses from the test year to below-the-line accounts, and therefore were not included in the cost of service. I have further adjusted O&M expenses to remove additional lobbying costs. In determining what costs should be removed, I applied the “but for” test for reporting lobbying costs as used in a Formal Advisory Opinion of the State Ethics Commission dated February 12, 2010. The Commission recognized at pages 70-71 of its 2012 Dominion North Carolina Power Order in Docket No. E-22, Sub 479, that lobbying included not only employees’ direct contact with legislators, but also other activities preparing for or surrounding lobbying that would not have been conducted but for the lobbying itself. In applying this test, I removed O&M expenses associated with stakeholder engagement, state government affairs, and federal affairs that were recorded above the line.

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**DISTRIBUTION VEGETATION MANAGEMENT**

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**Q. PLEASE EXPLAIN THE PUBLIC STAFF’S ADJUSTMENT TO DISTRIBUTION VEGETATION MANAGEMENT.**

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21

A. I have made an adjustment to correct the test year cost per mile to reflect the actual costs incurred for distribution vegetation

22

1 management during the test year, as provided by the Company in  
2 response to a data request. The correction also had an impact on  
3 the adjusted cost per mile, as the Company's adjusted amount is  
4 calculated utilizing the actual test year amount and actual cost  
5 increase of 3%. Vegetation management for distribution and  
6 transmission is further discussed in the testimony of Public Staff  
7 witness David Williamson.

8 **CREDIT CARD FEES**

9 **Q. WHAT ADJUSTMENT HAVE YOU MADE FOR CREDIT CARD**  
10 **FEES?**

11 A. In the present case, the Company has made a proforma adjustment  
12 to include credit card transaction fees for residential customers in its  
13 revenue requirement. The fees for other forms of payments such as  
14 checks, ACH payments<sup>2</sup>, and bank drafts are currently included in  
15 the Company's cost of service. The Public Staff does not have an  
16 issue regarding the inclusion of credit card fees in the cost of service.  
17 However, in its adjustment, the Company did not calculate any  
18 impacts to late payments or uncollectibles associated with the  
19 request to include credit card fees. The Company included the 2019  
20 credit card transactions in the adjustment, but has not removed the

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<sup>2</sup> ACH payments are electronic payment that are created when the customer gives an originating institution, corporation, or other customer (originator) authorization to debit directly from the customer's checking or saving account for the purpose of bill payment.

1 expenses related to the forms of payment that were utilized in the  
2 2018 cost of service. I have made an adjustment to remove the O&M  
3 expenses included in the cost of service for 2018 associated with the  
4 increase in credit card transactions from the 2018 to 2019 period, so  
5 as to avoid a double counting of costs associated with the same  
6 payments.

7 **Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING THE**  
8 **ALLOWANCE OF CREDIT CARD FEES FOR RESIDENTIAL**  
9 **CUSTOMERS INTO THE COST OF SERVICE?**

10 A. Yes. I recommend the Company track the impact, of the credit cards  
11 that no longer have a separate fee associated with the payment, on  
12 the late payment and uncollectible accounts, and report the  
13 quantitative impact in testimony in the Company's next general rate  
14 case.

15 **ADVERTISING**

16 **Q. PLEASE EXPLAIN THE PUBLIC STAFF'S ADJUSTMENT TO**  
17 **ADVERTISING EXPENSES.**

18 A. I have adjusted O&M expenses to remove amounts charged to O&M  
19 expense to exclude items incorrectly booked to advertising; amounts  
20 the Company could not provide advertisement support for, as well  
21 image and promotional advertising, in accordance with Commission  
22 Rule R12-13 and prior Commission orders.

1

**HYDRO STATION SALE**

2 **Q. WHAT ADJUSTMENT HAVE YOU MADE REGARDING THE**  
3 **HYDRO STATION SALE?**

4 A. I have adjusted the amortization period for the loss on the sale of the  
5 hydro units to the overall remaining depreciable life of the assets of  
6 20 years. In the present case, the Company has recommended an  
7 amortization period of 7 years, with the purpose of keeping the  
8 overall revenue requirement for the units the same as before the sale  
9 occurred. In its filing for deferral accounting in E-7, Sub 1181 (Sub  
10 1181), the Company asserted that, through the transaction, the  
11 facilities would continue to serve the customers with clean renewable  
12 energy, but at a lower cost. Additionally, the cost benefit analysis  
13 provided by the Company in the above referenced docket was based  
14 on 20-year costs to maintain and operate.

15 As the Public Staff stated in its comments dated September 4, 2018,  
16 and its testimony filed on January 18, 2019, in the Sub 1181 docket,  
17 the amortization period for the regulatory asset should be set at 20  
18 years, which is comparable to the period of time over which the  
19 facilities would have been depreciated if they had remained in  
20 service. At the time of the comments, the average remaining life of  
21 the facilities was 22.49 years. As of the end of 2019, the depreciable  
22 life is 19.95 years.

1

**STORM EXPENSE AND DEFERRAL**

2

**Q. PLEASE EXPLAIN THE PUBLIC STAFF'S ADJUSTMENT TO THE COMPANY'S PROPOSED STORM DEFERRAL.**

3

4

A. I have made an adjustment to remove all capital and O&M costs associated with Hurricane Florence, Hurricane Michael, and Winter Storm Diego in the present case; because the Company indicated it would seek to recover the costs of the foregoing storms through securitization if this method of financing were authorized by the North Carolina Legislature. In his initial testimony, Company witness DeMay stated that, "If, however, North Carolina law is amended to allow for the securitization of these storm costs, the Company would pursue securitization if it provided a savings to its customers and would cease the recovery of the remaining storm costs in current rates and instead begin recovering the remaining unrecovered storm costs as provided for in a securitization financing order." On November 6, 2019, Senate Bill 559, which authorized a public utility to seek recovery of storm costs through securitization, was signed into law.

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**Q. ARE THE COSTS RELATED TO HURRICANE FLORENCE, HURRICANE MICHAEL, AND WINTER STORM DIEGO AS PRESENTED IN THE CURRENT CASE PRUDENTLY INCURRED?**

20

21

22

1 A. Based upon our review of the costs the Company has included in the  
2 present case, the Public Staff believes the costs associated with  
3 these storms were prudently incurred.

4 **Q. DO YOU HAVE ANY OTHER ADJUSTMENTS RELATED TO**  
5 **STORM EXPENSE?**

6 A. I have included an adjustment to reflect a 10-year normalized level  
7 of storm expense for storms that would not otherwise be large  
8 enough for the Company to seek securitization of the costs.

9 **RATE CASE EXPENSE AND AMORTIZATION**

10 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO RATE CASE**  
11 **EXPENSE AND AMORTIZATION?**

12 A. I have adjusted rate case expense to reflect the actual costs through  
13 the current update period of November 30, 2019. Furthermore, I  
14 have removed the Company's adjustment to include the unamortized  
15 portion of rate case expense in rate base. I have removed the  
16 Company's adjustment to include the unamortized balance in rate  
17 base, because the amortization of rate case expense should reflect  
18 a normalization of the costs associated with the filing of a rate case,  
19 based on a historical average of the number of years between rate  
20 case filings. It is the Public Staff's position that rate case expense  
21 does not rise to the level of being extraordinary in nature, and,  
22 therefore, does not require rate base treatment.

1

**RETIRED HYDRO STATIONS**

2 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO THE O&M**  
3 **ASSOCIATED WITH THE RETIRED HYDRO STATIONS.**

4 A. In May and December of 2018, the Company retired several hydro  
5 units at Rocky Creek, Great Falls, and 99 Islands. In the present  
6 case, the Company did not remove the O&M related to these retired  
7 units from the cost of service. I have made an adjustment to remove  
8 all non-payroll related O&M related to these retired hydro units.

9

**SPONSORSHIPS AND DONATIONS**

10 **Q. WHAT ADJUSTMENT HAVE YOU MADE FOR SPONSORSHIPS**  
11 **AND DONATIONS?**

12 A. I have adjusted O&M expenses to remove amounts charged to O&M  
13 expense for sponsorships and charitable donations. Specifically, I  
14 have excluded from expenses amounts paid to the chambers of  
15 commerce, the NC Chamber, and other donations. These expenses  
16 should be disallowed because they do not represent actual costs of  
17 providing electric service to customers.

18

**SEVERANCE**

19 **Q. PLEASE DESCRIBE THE PUBLIC STAFF'S ADJUSTMENTS TO**  
20 **SEVERANCE COSTS.**

21 A. The Company made an adjustment to remove atypical severance  
22 and retention costs included in the test period. The Company is also

1            requesting to establish a regulatory asset and defer the NC retail  
2            amount and to amortize the regulatory asset over a three-year  
3            period.

4            I have adjusted severance costs to reflect a normalized level over a  
5            five-year period. This is consistent with how the Public Staff has  
6            treated severance program costs in other utility rate cases.<sup>3</sup> The  
7            costs that the Company has incurred correlate with the savings  
8            reflected in the Company's update. There is a relationship between  
9            the savings generated by a severance program and the costs  
10           incurred for the severance program. The more employees who leave  
11           under a severance program, the greater the savings, and the greater  
12           the cost.

13           With regard to the Company's request to establish a regulatory asset,  
14           the Public Staff has established a normalized level to include in rates,  
15           and, as a result, has removed the Company's requested amount  
16           from rate base. The Company did not state a rationale for  
17           establishing a regulatory asset in its testimony. This is also  
18           consistent with how the Public Staff has treated severance program  
19           costs as stated above.

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<sup>3</sup> Dominion Energy North Carolina Docket No. E-2, Subs 532 and 562.

1 **INTEREST SYNCHRONIZATION ADJUSTMENT**

2 **Q. PLEASE EXPLAIN YOUR INTEREST SYNCHRONIZATION**  
3 **ADJUSTMENT.**

4 A. The Company adjusted income tax expense to reflect interest  
5 synchronization with its proposed capital structure, cost of debt, and  
6 rate base. I have also adjusted income tax expense to reflect the  
7 deduction of the pro forma level of interest resulting from the  
8 application of the Public Staff's recommended return and capital  
9 structure to its recommended rate base.

10 **CASH WORKING CAPITAL EFFECT OF INCREASE**

11 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO CASH WORKING**  
12 **CAPITAL FOR THE PROPOSED INCREASE.**

13 A. The cash working capital lead-lag effect of the proposed revenue  
14 increase as recommended by the Public Staff has been calculated  
15 on Boswell Exhibit 1.

16 **EXCESS DEFERRED INCOME TAXES (EDIT)**

17 **Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT RELATED**  
18 **TO EDIT.**

19 A. In this case, the Company has proposed an EDIT Rider that contains  
20 the following categories of refunds for customers:

21 (1) Federal EDIT – Protected

1 (2) Federal EDIT – Unprotected (PP&E and non PP&E related)

2 (3) State EDIT

3 (4) Deferred Revenue from Tax Act Overcollections

4 DEC did not make an adjustment to exclude any EDIT from rate  
5 base, but instead proposes to handle each of the categories above  
6 in a single Rider, with rate changes occurring each year based on  
7 the proposed amortizations for these categories, which range from  
8 39.6 years to 5 years. The Public Staff believes that the four  
9 categories of refunds listed above should be handled separately, due  
10 to the differing natures of the amounts and the amortization periods.  
11 We believe that this provides a more transparent means of tracking  
12 the Tax Act and state tax-related refunds to customers for each year.

13 Based upon the foregoing, I recommend several adjustments  
14 regarding federal EDIT.

15 **Q. PLEASE EXPLAIN THE PUBLIC STAFF'S RECOMMENDATIONS**  
16 **REGARDING EDIT.**

17 The federal EDIT consists of two categories of amounts, protected  
18 and unprotected. The protected EDIT are deferred taxes related to  
19 timing differences arising from the utilization of accelerated  
20 depreciation for tax purposes and another depreciation method for  
21 book purposes. These deferred taxes are deemed protected

1 because the Internal Revenue Service (IRS) does not permit  
2 regulators to flow back the excess to ratepayers immediately, but  
3 instead requires that the excess be flowed back to ratepayers ratably  
4 over the life of the timing difference that gave rise to the excess.  
5 Unprotected EDIT are those taxes that result from all other timing  
6 differences, and can be flowed back to ratepayers however quickly  
7 regulators deem reasonable.

### 8 **Federal Protected EDIT**

9 I have made an adjustment to remove the federal protected EDIT  
10 from the EDIT Rider proposed by the Company, and instead leave  
11 the amount in base rates. I recommend this treatment since the  
12 Company's calculation of the net remaining life of the timing  
13 differences (average rate assumption method or ARAM) results in an  
14 extremely long life due to the timing differences that gave rise to the  
15 excess. The Public Staff proposes to amortize the protected EDIT  
16 balance over 39.6 years in base rates and to remove the first year of  
17 amortization from the deferral amount for purposes of this  
18 proceeding.

### 19 **Federal Unprotected EDIT**

20 The Company has artificially created two categories of unprotected  
21 EDIT for purposes of its proposal: "unprotected PP&E" (Property  
22 Plant & Equipment) and "unprotected other," and has proposed to

1 return EDIT to ratepayers over periods of 20 years and 5 years,  
2 respectively. The Company asserts that, since the unprotected  
3 PP&E EDIT is similar in nature to protected EDIT (which is also  
4 related to PP&E), it is reasonable to flow it back to the ratepayers  
5 over the same time period that it would have been paid to the IRS  
6 had the Tax Cuts and Jobs Act not been enacted. However, the  
7 Company acknowledges the Commission has the discretion to flow  
8 back all of the unprotected EDIT over any time period it finds  
9 appropriate.

10 The tax normalization rules are very clear - either EDIT is protected,  
11 or it is not. The EDIT that the Company designates as "PPE-related"  
12 is still clearly unprotected, a fact conceded by the Company. The  
13 Company's assertion that it should only return this PP&E-related  
14 unprotected EDIT over the same period of time it would have paid  
15 the funds to the IRS had the tax law not been passed,

16 Is not supportable by any logical accounting or ratemaking principle,  
17 and should not dictate this Commission's decision as to what is a  
18 reasonable amount of time within which to return these funds to  
19 ratepayers. These funds rightfully belong to the ratepayers and  
20 should be returned to them as soon as reasonably possible. It should  
21 be noted that the Company will continue to collect accumulated  
22 deferred income taxes (ADIT) at a tax rate sufficient to meet its tax  
23 obligations.

1 Based on the forgoing, for unprotected EDIT, I recommend removing  
2 the EDIT regulatory liability associated with the unprotected  
3 differences from rate base, and placing it in a rider to be refunded to  
4 ratepayers over five years on a levelized basis, with carrying costs.  
5 The immediate removal of unprotected EDIT from rate base  
6 increases the Company's rate base, and mitigates regulatory lag that  
7 might occur from refunds of unprotected EDIT not  
8 contemporaneously reflected in rate base. Additionally, refunding  
9 the unprotected EDIT over five years allows the Company to properly  
10 plan for any future credit needs while refunding ratepayer dollars in  
11 a reasonable time. The Public Staff has provided the Company with  
12 the benefit of removing the total amount of the unprotected EDIT  
13 credit from rate base in the current case, thus providing the Company  
14 with an increase in rates to moderate any cash flow issues, to the  
15 extent they would exist. The financing cost to the Company will be  
16 imposed ratably over the period that the EDIT is returned through the  
17 levelized rider.

### 18 **Overcollection of Federal Taxes**

19 I have made an adjustment to remove, from the Company's single  
20 rider, the overcollection of federal taxes, which resulted from the  
21 reduction in tax rates from 35% to 21%, and placed it in a separate  
22 levelized rider amortized over a one-year period. Furthermore, I  
23 have removed the balance from the working capital schedules, since

1 I am recommending a refund over one year. The one-year  
2 amortization period is consistent with the period approved by the  
3 Commission in the most recent rate cases of: Aqua North Carolina,  
4 Inc. in Docket No. W-218, Sub 497 (December 18, 2018), Carolina  
5 Water Service, Inc. of North Carolina in Docket No. W-354, Sub 360  
6 (February 21, 2019), and Piedmont Natural Gas Company, Inc. in  
7 Docket No. G-9, Sub 743 (October 31, 2019).

8 **State EDIT**

9 I recommend removing the entire state EDIT balance from rate base,  
10 as the Company has in adjustment NC-0600, and placing it in a  
11 separate rider, and recommend a one-year levelized return on the  
12 balance. The change in the state tax rate represents one year's  
13 worth of tax difference, much like the overcollection of federal taxes,  
14 and, to avoid intergenerational issues, should be flowed back over  
15 the same time. This period is also consistent with the Commission's  
16 Order in Dominion Energy North Carolina, Docket No. E-22, Sub  
17 532, in which the Commission approved a one-year flowback.

18 **ADDITIONAL COMMENTS**

19 **Q. DO YOU HAVE ADDITIONAL COMMENTS?**

20 A. Yes. I have additional comments with regard to the Company's  
21 February 14, 2020, supplemental filing.

1    **Q.    WHAT ARE YOUR ADDITIONAL COMMENTS REGARDING THE**  
2           **COMPANY’S FEBRUARY 14, 2020, SUPPLEMENTAL FILING?**

3    A.    The Public Staff is aware of the supplemental filing; however, given  
4           the timing of the supplemental filing and the due date of the Public  
5           Staff’s testimony, the Public Staff could not reasonably perform its  
6           investigation on the Company’s updated information in the short  
7           amount of time before it was due to file testimony. The Public Staff  
8           reserves the right to file its own supplemental testimony related to  
9           the Company’s February 14, 2020, supplemental filing once its  
10          investigation of the updated information is completed.

11   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

12   A.    Yes, it does.

**MICHELLE M. BOSWELL**

**Qualifications and Experience**

I graduated from North Carolina State University in 2000 with a Bachelor of Science degree in Accounting. I am a Certified Public Accountant.

I joined the Public Staff in September 2000. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of electric, natural gas, and water topics. I have performed audits and/or presented testimony in Duke Energy's 2010 REPS Cost Recovery Rider; the 2008 REPS Compliance Reports for North Carolina Municipal Power Agency 1, North Carolina Eastern Municipal Power Agency, GreenCo Solutions, Inc., and EnergyUnited Electric Membership; four recent Piedmont rate cases; PSNC's 2016 rate case, DNCP's 2012 rate case, DEP's 2013 rate case, several Piedmont, NUI, and Toccoa annual gas cost reviews; Piedmont and NUI's merger; and Piedmont and NCNG's merger.

Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations addressing a wide range of topics and issues related to the water, electric, and telephone industries.

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DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations  
**REVENUE IMPACT OF PUBLIC STAFF ADJUSTMENTS**  
For the Test Year Ended December 31, 2018  
(in Thousands)

Public Staff  
Boswell Exhibit 1  
Schedule 1  
Page 1 of 2

| Line No.  | Item   | Amount                               |
|-----------|--|--------------------------------------|
| 1         | Revenue requirement increase per Company application                                   | \$445,331 <sup>1/</sup>              |
| 2         | Revenue impact of Company update   | -                                    |
| <b>3</b>  | <b>Revenue requirement increase per Company after updates</b>                          | <b>445,331</b>                       |
| 4         | Revenue impact of Public Staff adjustments <sup>2/</sup>                               |                                      |
| 5         | Change in equity ratio from 53.00% to 50.00% equity                                    | (41,578)                             |
| 6         | Change in debt cost rate from 4.510% to 4.510%   | -                                    |
| 7         | Change in return on equity from 10.30% to 9.00%  | (131,643)                            |
| 8         | Adjust weather normalization to November 30, 2019                                      | (34,525)                             |
| 9         | Update plant and accumulated depreciation to November 30, 2019                         | (8,675)                              |
| 10        | Updated ADIT for retired meters  | (841)                                |
| 11        | Adjust Belews Creek DFO  | (6,411)                              |
| 12        | Updated working capital investments for change in allocation factors                   | (1,033)                              |
| 13        | Update revenues to November 30, 2019   | (20,250)                             |
| 14        | Adjust distribution vegetation management  | (205)                                |
| 15        | Include flowback of protected federal EDIT due to Tax Cuts and Jobs Act                | (29,151)                             |
| 16        | Remove EDIT refund from base rates for treatment as a rider                            | 94,011 <sup>3/</sup>                 |
| 17        | Adjust for Hydro Station Sale  | (1,921)                              |
| 18        | Adjust aviation expenses   | (2,111)                              |
| 19        | Adjust executive compensation  | (174)                                |
| 20        | Adjust outside services  | (529)                                |
| 21        | Adjust rate case expense   | (588)                                |
| 22        | Adjust depreciation rates  | (30,576)                             |
| 23        | Adjust incentives  | (19,689)                             |
| 24        | Adjust deferred environmental costs  | (86,067)                             |
| 25        | Adjust deferred non-ARO environmental costs  | (9,384)                              |
| 26        | Adjust sponsorships & donations  | (268)                                |
| 27        | Adjust severance   | (11,529)                             |
| 28        | Adjust lobbying expense  | (2,258)                              |
| 29        | Adjust Board of Directors expense  | (1,892)                              |
| 30        | Adjust salaries and wages expense  | (3,687)                              |
| 31        | Adjust credit card fees  | (108)                                |
| 32        | Adjust inflation to November 30, 2019  | 4,301                                |
| 33        | Adjust advertising expense   | (355)                                |
| 34        | Adjust storm deferral  | (36,707)                             |
| 35        | Adjust storm expense   | 1,843                                |
| 36        | Adjust retired hydro O&M   | (101)                                |
| 37        | Adjust cash working capital under present rates  | 7,166                                |
| 38        | Adjust cash working capital under proposed rates                                       | (3,856)                              |
| 39        | Rounding   | (4)                                  |
| 40        | Total revenue impact of Public Staff adjustments                                       | <u>(378,795)</u>                     |
| <b>41</b> | <b>Public Staff recommended increase / (decrease) in base rate revenue requirement</b> | <b><u>\$66,536</u></b> <sup>4/</sup> |

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations  
**REVENUE IMPACT OF PUBLIC STAFF ADJUSTMENTS**  
For the Test Year Ended December 31, 2018  
(in Thousands)

Public Staff  
Boswell Exhibit 1  
Schedule 1  
Page 2 of 2

| Line No. | Item   | Amount                    |
|----------|--|---------------------------|
| 42       | Public Staff recommended increase / (decrease) in base rate revenue requirement (L41)          | \$66,536                  |
| 43       | Annual federal provisional EDIT Rider recommended by Public Staff for one year period          | (\$125,183) <sup>3/</sup> |
| 44       | Annual state EDIT Rider recommended by Public Staff for one year period                        | (\$35,513) <sup>3/</sup>  |
| 45       | Annual federal unprotected EDIT Rider recommended by Public Staff for five year period         | (\$239,869) <sup>3/</sup> |
| 46       | Public Staff recommended change in revenue requirement for first year (Sum of L42 through L45) | <u>(\$334,029)</u>        |
| 47       | Public Staff recommended change in revenue requirement for years 2 thru 5(L42 + L45)           | <u>(\$173,333)</u>        |

1/ McManeus Exhibit 1, Page 2, Line 8.

2/ Calculated based on Boswell Exhibit 1, Schedules 2, 3, 4, 5, and backup schedules.

3/ The Public Staff is recommending that the EDIT regulatory liability be refunded through a one and five year rider. As a result, the Public Staff has removed the amounts included by the Company in the calculation of its revenue requirement associated with the EDIT refund, and instead has calculated a separate rider that will credit customers for the EDIT refund over a two year period. The calculation of the annual EDIT rider is shown on Boswell Exhibits 2.

4/ Boswell Exhibit 1, Schedule 5, Line 5.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**SUPPORT FOR RECONCILIATION SCHEDULE**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 1-1**

| Line No. | Item   | Rate Base<br>Impact <sup>1/</sup> | Income<br>Statement<br>Impact <sup>2/</sup> | Total<br>Revenue<br>Impact <sup>3/</sup> |
|----------|--|-----------------------------------|---|--|
|          |  | (a)                               | (b)   | (c)                                      |
| 1        | Update plant and accumulated depreciation to November 30, 2019 | (\$1,975)                         | (\$6,700)                                   | (\$8,675)                                |
| 2        | Adjust Severance   | (\$2,883)                         | (\$8,646)                                   | (11,529)                                 |
| 3        | Adjust depreciation rates                                      | 2,704                             | (33,280)                                    | (30,576)                                 |
| 4        | Adjust deferred environmental costs                            | (19,037)                          | (67,030)                                    | (86,067)                                 |
| 5        | Flowback of Protected EDIT                                     | \$1,936                           | (\$31,087)                                  | (29,151)                                 |
| 6        | Remove Storm Deferral  | (\$12,025)                        | (\$24,682)                                  | (36,707)                                 |
| 7        | Remove Belews Creek DFO  | (\$4,276)                         | (\$2,135)                                   | (\$6,411)                                |
| 8        | Adjust deferred non-ARO environmental costs                    | \$594                             | (\$9,978)                                   | (\$9,384)                                |

1/ Boswell Exhibit 1, Schedule 2-1, Line 16.

2/ Boswell Exhibit 1, Schedule 3-1, Line 18.

3/ Column (a) plus Column (b).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF GROSS REVENUE EFFECT FACTORS**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 1-2**

| Line No. | Item                             | Capital Structure<br>(a) | Cost Rates<br>(b)    | Retention Factor<br>(c) | Gross Revenue Effect<br>(d) |
|----------|----------------------------------|--------------------------|----------------------|-------------------------|-----------------------------|
| 1        | <u>Rate Base Factor</u>          |                          |                      |                         |                             |
| 2        | Long-term debt                   | 50.000% <sup>1/</sup>    | 4.510% <sup>1/</sup> | 0.9962055 <sup>2/</sup> | 0.0226359 <sup>4/</sup>     |
| 3        | Common equity                    | 50.000% <sup>1/</sup>    | 9.00% <sup>1/</sup>  | 0.7635890 <sup>3/</sup> | 0.0589322 <sup>4/</sup>     |
| 4        | Total (Sum of Lines 2 and 3)     | <u>100.000%</u>          |                      |                         | <u>0.0815681</u>            |
|          |                                  |                          |                      |                         | <u>Amount</u>               |
| 5        | <u>Net Income Factor</u>         |                          |                      |                         |                             |
| 6        | Total revenue                    |                          |                      |                         | 1.0000000                   |
| 7        | Uncollectibles                   |                          |                      |                         | 0.0025010 <sup>5/</sup>     |
| 8        | Balance (L6 - L7)                |                          |                      |                         | <u>0.9974990</u>            |
| 9        | Regulatory fee (L8 x .012967%)   | 6/                       |                      |                         | 0.0012935                   |
| 10       | Balance (L8 - L9)                |                          |                      |                         | 0.9962055                   |
| 11       | State income tax (L10 x 2.9750%) | 7/                       |                      |                         | <u>0.0296371</u>            |
| 12       | Balance (L10 - L11)              |                          |                      |                         | 0.9665684                   |
| 13       | Federal income tax (L12 x 21%)   | 8/                       |                      |                         | <u>0.2029794</u>            |
| 14       | Retention factor (L12 - L13)     |                          |                      |                         | <u>0.7635890</u>            |

- 1/ Per Public Staff witness Woolridge.
- 2/ Line 10.
- 3/ Line 14.
- 4/ Column (a) times Column (b) divided by Column (c).
- 5/ NCUC Form E-1, Item No. 10, NC-0105, Line 4.
- 6/ Current regulatory fee rate effective July 1, 2016.
- 7/ Boswell Exhibit 1, Schedule 1-3, Line 4, Column (a).
- 8/ Statutory rate.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF COMPOSITE**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 1-3**

**INCOME TAX RATE**

**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

| Line No. | Item                                  | Total System<br>(a)          | North Carolina<br>(b)         | South Carolina<br>(c)         |
|----------|---------------------------------------|------------------------------|-------------------------------|-------------------------------|
| 1        | <u>Weighted state income tax rate</u> |                              |                               |                               |
| 2        | Apportionment factor                  |                              | 67.0000% <sup>2/</sup>        | 26.0000% <sup>2/</sup>        |
| 3        | State income tax rate                 |                              | 2.50% <sup>3/</sup>           | 5.00% <sup>3/</sup>           |
| 4        | Weighted state income tax rate        | <u>2.9750% <sup>1/</sup></u> | <u>1.67500% <sup>4/</sup></u> | <u>1.30000% <sup>4/</sup></u> |
| 5        | <u>Composite income tax rate</u>      |                              |                               |                               |
| 6        | Weighted state income tax rate (L4)   | 2.9750%                      |                               |                               |
| 7        | Federal income tax rate               | 21% <sup>5/</sup>            |                               |                               |
| 8        | Composite income tax rate             | 23.3503% <sup>6/</sup>       |                               |                               |

- 1/ Sum of Columns (b) and (c).  
2/ E-1, Item No. 10, NC-0104, Column (b).  
3/ E-1, Item No. 10, NC-0104, Column (a).  
4/ Line 2 times Line 3.  
5/ Statutory rate.  
6/ 1 minus ((1 minus Line 6) times (1 minus Line 7)).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ORIGINAL COST RATE BASE**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2**

| Line No. | Item  | Under Present Rates                          |  |  | After Public Staff        |                                   |
|----------|---|--|--|--|---------------------------|-----------------------------------|
|          |   | NC Retail Adjusted Per Company <sup>1/</sup> | Public Staff Adjustments <sup>2/</sup> | After Public Staff Adjustments <sup>3/</sup> | Recommended Decrease Rate | After Rate Decrease <sup>5/</sup> |
|          |   | (a)  | (b)                                    | (c)  | (d)                       | (e)                               |
| 1        | Electric plant in service   | \$29,270,210                                 | (\$104,677)                            | \$29,165,533                                 | \$0                       | \$29,165,533                      |
| 2        | Accumulated depreciation and amortization                         | (11,484,270)                                 | 43,792                                 | (11,440,478)                                 | -                         | (11,440,478)                      |
| 3        | Net electric plant in service (L1 + L2)                           | 17,785,940                                   | (60,885)                               | 17,725,055                                   | -                         | 17,725,055                        |
| 4        | Materials and supplies  | 639,426                                      | 2                                      | 639,428                                      | -                         | 639,428                           |
|          | Other Working Capital   |  |  |  |                           |                                   |
| 5        | Operating funds per lead-lag study                                | 156,946                                      | 87,848                                 | 244,794                                      | 7,181 <sup>4/</sup>       | 251,975                           |
| 6        | Unamortized debt  | 78,306                                       | (591)                                  | 77,715                                       | -                         | 77,715                            |
| 7        | Regulatory assets and liabilities, excluding ARO-related CCR      | (648,354)                                    | (218,970)                              | (867,324)                                    | -                         | (867,324)                         |
| 8        | Total other working capital                                       | (413,102)                                    | (131,713)                              | (544,815)                                    | 7,181                     | (537,634)                         |
| 9        | ARO-related CCR regulatory assets and liabilities                 | \$692,091                                    | (304,491)                              | 387,600                                      | -                         | 387,600                           |
| 10       | Customer deposits   | (96,608)                                     | -                                      | (96,608)                                     | -                         | (96,608)                          |
| 11       | Accumulated deferred income taxes                                 | (2,718,952)                                  | 1,189,826                              | (1,529,126)                                  | -                         | (1,529,126)                       |
| 12       | Operating reserves  | (424,053)                                    | -                                      | (424,053)                                    | -                         | (424,053)                         |
| 13       | Adjustments to federal excess deferred income taxes               | -  | 94,837                                 | 94,837                                       | -                         | 94,837                            |
| 14       | Construction work in progress                                     | -  | -                                      | -  | -                         | -                                 |
| 15       | Total original cost rate base (L3 + L4 + L8 + sum of L9 thru L14) | <u>\$15,464,742</u>                          | <u>\$787,575</u>                       | <u>\$16,252,317</u>                          | <u>\$7,181</u>            | <u>\$16,259,498</u>               |

1/ Based on McManeus Exh bit 1.

2/ Boswell Exhibit 1, Schedule 2-1, Column (p).

3/ Column (a) plus Column (b).

4/ Boswell Exhibit 1, Schedule 2-1(e), Line 82, Column (k).

5/ Column (c) plus Column (d).

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations

Public Staff  
Boswell Exhibit 1  
Schedule 2-1  
Page 1 of 3

SUMMARY OF PUBLIC STAFF RATE BASE ADJUSTMENTS

For the Test Year Ended December 31, 2018  
(in Thousands)

| Line No. | Item  | Update Plant and Accumulated Depreciation to 11/30/19 <sup>1/</sup><br>(a) | Remove EDIT Refund for Treatment as a Rider <sup>2/</sup><br>(b) | Adjust Depreciation Rates <sup>3/</sup><br>(c) | Remove Deferred Environmental Costs <sup>4/</sup><br>(d) | Adjust for Hydro Station Sale <sup>5/</sup><br>(e) |
|----------|---|--|--|--|--|--|
| 1        | Electric plant in service   | (\$32,468)   | \$0  | \$0  | \$0  | \$468  |
| 2        | Accumulated depreciation and amortization                         | 8,249  | -  | 33,154   | -  | (181)  |
| 3        | Net electric plant in service (L1 + L2)                           | (24,219)   | -  | 33,154   | -  | 288  |
| 4        | Materials and supplies  | -  | -  | -  | -  | 2  |
|          | Other Working Capital   |  |  |  |  |  |
| 5        | Operating funds per lead-lag study                                | -  | -  | -  | -  | -  |
| 6        | Unamortized debt  | -  | -  | -  | -  | -  |
| 7        | Regulatory assets and liabilities, excluding ARO-related CCR      | -  | -  | -  | -  | 2,048  |
| 8        | Total Working Capital   | -  | -  | -  | -  | 2,048  |
| 9        | CCR regulatory assets and liabilities                             | -  | -  | -  | (304,491)  | -  |
| 10       | Customer deposits   | -  | -  | -  | -  | -  |
| 11       | Accumulated deferred income taxes                                 | -  | \$1,152,543  | -  | -  | (\$478)  |
| 12       | Operating reserves  | -  | -  | -  | -  | -  |
| 13       | Adjustments to federal excess deferred income taxes               | -  | -  | -  | 71,099   | -  |
| 14       | Construction work in progress                                     | -  | -  | -  | -  | -  |
| 15       | Total original cost rate base (L3 + L4 + L8 + sum of L9 thru L14) | <u>(24,219)</u>  | <u>1,152,543</u>   | <u>33,154</u>                                  | <u>(233,392)</u>   | <u>1,858</u>                                       |
| 16       | Revenue requirement impact  | <sup>16/</sup> <u>(\$1,975)</u>  | <u>\$94,011</u>  | <u>\$2,704</u>                                 | <u>(\$19,037)</u>  | <u>\$152</u>                                       |

1/ Boswell Exhibit 1, Schedule 2-1(a), Line 3.

2/ Boswell Exhibit 1, Schedule 2-1(c), Line 5.

3/ Boswell Exhibit 1, Schedule 3-1(f), Line 10.

4/ Based on recommendation of Public Staff witness Maness.

5/ Boswell Exhibit 1, Schedule 3-1(e).

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations

Public Staff  
Boswell Exhibit 1  
Schedule 2-1  
Page 2 of 3

SUMMARY OF PUBLIC STAFF RATE BASE ADJUSTMENTS

For the Test Year Ended December 31, 2018  
(in Thousands)

| Line No. | Item  | Update Per Book Working Capital For SWPA (f) | Adjust Storm Deferral (g) | Adjust Rate Case Expense (h) | Adjust Severance (i) | Adjust ADIT ADIT for Retired Meters (j) | Include Flowback of Protected EDIT due to Tax Cuts & Jobs Act (k) |
|----------|---|--|---------------------------|------------------------------|----------------------|---|---|
| 1        | Electric plant in service   |  | (\$18,133)                | \$0                          | \$0                  | \$0                                     | \$0   |
| 2        | Accumulated depreciation and amortization                         |  | 442                       |                              |                      |   | -   |
| 3        | Net electric plant in service (L1 + L2)                           |  | (17,691)                  | -                            | -                    | -                                       | -   |
| 4        | Materials and supplies  |  | 0                         |                              |                      |   | 0   |
|          | Other Working Capital   |  |                           |                              |                      |   |   |
| 5        | Operating funds per lead-lag study                                |  | -                         |                              |                      |   | -   |
| 6        | Unamortized debt  | (591) 6/                                     | -                         |                              |                      |   | -   |
| 7        | Regulatory assets and liabilities, excluding ARO-related CCR      | (\$12,074) 7/                                | (\$169,251)               | (\$3,080)                    | (\$46,113)           |   |   |
| 8        | Total Working Capital   | (12,666)                                     | (169,251)                 | (3,080)                      | (46,113)             | -                                       | -   |
| 9        | CCR regulatory assets and liabilities                             |  |                           |                              |                      |   |   |
| 10       | Customer deposits   |  | -                         |                              |                      |   | -   |
| 11       | Accumulated deferred income taxes                                 |  | \$39,520                  |                              | \$10,767             | (\$10,308)                              | \$0   |
| 12       | Operating reserves  |  |                           |                              |                      |   |   |
| 13       | Adjustments to federal excess deferred income taxes               |  |                           |                              |                      |   | \$23,738  |
| 14       | Construction work in progress                                     |  | -                         |                              |                      |   | -   |
| 15       | Total original cost rate base (L3 + L4 + L8 + sum of L9 thru L14) | (12,666)                                     | (147,422)                 | (3,080)                      | (35,346)             | (10,308)                                | 23,738  |
| 16       | Revenue requirement impact  | 16/ (\$1,033)                                | (\$12,025)                | (\$251)                      | (\$2,883)            | (\$841)                                 | \$1,936   |

6/ Company response to DR165-1, allocated on SWPA.  
7/ Boswell Exhibit 1, Schedule 2-2, Column (d), Line 71.  
8/ Boswell Exhibit 1, Schedule 3-1(l).  
9/ Boswell Exhibit 1, Schedule 3-1(t), Line 6.  
10/ Boswell Exhibit 1, Schedule 3-1(u).  
11/ Boswell Exhibit 1, Schedule 2-1(b) Line 7.

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations

Public Staff  
Boswell Exhibit 1  
Schedule 2-1  
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SUMMARY OF PUBLIC STAFF RATE BASE ADJUSTMENTS

For the Test Year Ended December 31, 2018  
(in Thousands)

| Line No. | Item  | Remove Belevs Creek DFO (l) | Reclass CCR Reg. Assets & Liabilities 4/ (m) | Adjust Deferred Non-ARO Enviromental Costs 4/ (n) | Adjust Cash Working Capital 14/ (o) | Total Rate Base Adjustments 15/ (p) |
|----------|---|-----------------------------|--|---|-------------------------------------|-------------------------------------|
| 1        | Electric plant in service   | (\$54,544)                  | \$0  | \$0   | \$0                                 | (\$104,677)                         |
| 2        | Accumulated depreciation and amortization                         | \$2,127                     |  |   | -                                   | 43,792                              |
| 3        | Net electric plant in service (L1 + L2)                           | (52,417)                    |  |   | -                                   | (60,885)                            |
| 4        | Materials and supplies  |                             |  |   | -                                   | 2                                   |
|          | Other Working Capital   |                             |  |   |                                     |                                     |
| 5        | Operating funds per lead-lag study                                |                             |  |   | \$87,848                            | 87,848                              |
| 6        | Unamortized debt  |                             |  |   | -                                   | (591)                               |
| 7        | Regulatory assets and liabilities, excluding ARO-related CCR      |                             | (692,091)                                    | \$9,500   | -                                   | (911,061)                           |
| 8        | Total Working Capital   | -                           | (692,091)                                    | 9,500   | 87,848                              | (823,804)                           |
| 9        | CCR regulatory assets and liabilities                             |                             | \$692,091                                    |   |                                     | 387,600                             |
| 10       | Customer deposits   |                             |  |   | -                                   | -                                   |
| 11       | Accumulated deferred income taxes                                 |                             |  | (\$2,218)   | -                                   | 1,189,826                           |
| 12       | Operating reserves  |                             |  |   | -                                   | -                                   |
| 13       | Adjustments to federal excess deferred income taxes               |                             |  |   |                                     | 94,837                              |
| 14       | Construction work in progress                                     |                             |  |   | -                                   | -                                   |
| 15       | Total original cost rate base (L3 + L4 + L8 + sum of L9 thru L14) | (52,417)                    | -  | 7,282   | 87,848                              | 787,573                             |
| 16       | Revenue requirement impact  | 16/ (\$4,276)               | \$0  | \$594   | \$7,166                             | \$64,241                            |

12/ Boswell Exhibit 1, Schedule 3-1(w), Line 11.

13/ Boswell Exhibit 1, Schedule 2-1(e).

14/ Boswell Exhibit 1, Schedule 2-1(d), Column (g), Line 87.

15/ Sum of Columns (a) through (o).

16/ Line 15 x rate base retention factor from Boswell Exhibit 1, Schedule 1-2.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO UPDATE PLANT AND**  
**ACCUMULATED DEPRECIATION**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(a)**

| Line<br>No. | Item  | Plant in<br>Service<br>(a) | Accumulated<br>Depreciation<br>(b) |
|-------------|---|----------------------------|------------------------------------|
| 1           | Adjustment to update balances to 11/30/19                               | (\$32,468) <sup>1/</sup>   | \$13,031 <sup>2/</sup>             |
| 2           | Adjustment for annualization of depreciation expense                    | 0                          | (4,782) <sup>3/</sup>              |
| 3           | Total adjustment to update plant and accumulated depreciation (L1 + L2) | <u>(\$32,468)</u>          | <u>\$8,249</u>                     |

1/ Boswell Exhibit 1, Schedule 2-1(a)(1), Line 15, Column (e).

2/ Boswell Exhibit 1, Schedule 2-1(a)(2), Line 11, Column (e).

3/ Boswell Exhibit 1, Schedule 2-1(a)(3), Line 10.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO UPDATE PLANT IN**  
**SERVICE TO NOVEMBER 30, 2019**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(a)(1)**

| Line No. | Item   | Total System                                 |  |   | NC Retail Percentage <sup>4/</sup> | NC Retail Amount <sup>5/</sup> |
|----------|--|--|--|---|------------------------------------|--------------------------------|
|          |  | Amount As Of 11/30/2019 <sup>1/</sup><br>(a) | Amount As Of 12/31/2018 <sup>2/</sup><br>(b) | Change in Plant in Service <sup>3/</sup><br>(c) |                                    |                                |
| 1        | Steam plant  | \$8,788,280                                  | \$8,325,357                                  | \$462,923                                       |                                    |                                |
| 2        | Hydro plant  | 2,324,155                                    | 2,186,536                                    | 137,619   |                                    |                                |
| 3        | Other production plant                               | 3,217,333                                    | 3,147,776                                    | 69,557  |                                    |                                |
| 4        | Nuclear plant  | 8,629,513                                    | 8,521,536                                    | 107,977   |                                    |                                |
| 5        | Total production plant                               | 22,959,281                                   | 22,181,205                                   | 778,076   | 66.5694%                           | \$517,961 <sup>5/</sup>        |
| 6        | Transmission plant                                   | 4,338,732                                    | 4,052,747                                    | 285,985   | 52.9563%                           | 151,447 <sup>5/</sup>          |
| 7        | Distribution plant                                   | 12,848,362                                   | 12,085,804                                   | 762,558   | 73.9530%                           | 563,935 <sup>5/</sup>          |
| 8        | General plant  | 1,301,015                                    | 1,212,985                                    | 88,030  | 68.6472%                           | 60,430 <sup>5/</sup>           |
| 9        | Intangible plant                                     | 1,030,041                                    | 986,751                                      | 43,290  | 68.6472%                           | 29,717 <sup>5/</sup>           |
| 10       | Total plant in service                               | <u>\$42,477,431</u>                          | <u>\$40,519,492</u>                          | <u>\$1,957,939</u>                              |                                    | <u>\$1,323,490</u>             |
| 11       | Update to plant (L10)                                |  |  |   |                                    | \$1,323,490                    |
| 12       | Less: additional plant related to REPS               |  |  |   |                                    | - <sup>6/</sup>                |
| 13       | Update to plant per Public Staff (L11 - L12)         |  |  |   |                                    | 1,323,490                      |
| 14       | Company adjustment for 2019 and 2020 plant additions |  |  |   |                                    | <u>1,355,958</u> <sup>7/</sup> |
| 15       | Public Staff adjustment to update plant (L13 - L14)  |  |  |   |                                    | <u>(\$32,468)</u>              |

- 1/ Based on Company response to Public Staff Data Request No. 30, Item 3.
- 2/ E-1, Item 10, NC-1008, Column (a).
- 3/ Column (a) minus Column (b).
- 4/ E-1, Item 45a, DEC COS NC SWPA.
- 5/ Column (c) times Column (d).
- 6/ E-1, Item 10, NC-1008 and NC-1001.
- 7/ E-1, Item 10, NC -1001, Total NC Retail column, Line 20.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO UPDATE**  
**ACCUMULATED DEPRECIATION TO**  
**NOVEMBER 30, 2019**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(a)(2)**

| Line No. | Item  | Total Carolinas                             |   |  | NC Retail Percentage <sup>3/</sup> | NC Retail Amount          |
|----------|---|---|---|--|------------------------------------|---------------------------|
|          |   | Amount<br>As Of<br>11/30/2019 <sup>1/</sup> | Amount<br>As Of<br>12/31/2018 <sup>1/</sup> | Change in<br>Accumulated<br>Depreciation <sup>2/</sup> |                                    |                           |
|          |   | (a)   | (b)   | (c)  | (d)                                | (e)                       |
| 1        | Production plant                              | (\$9,243,030)                               | (\$8,604,490)                               | (\$638,540)  | 66.5694%                           | (\$425,072) <sup>4/</sup> |
| 2        | Transmission plant                            | (1,412,377)                                 | (1,385,391)                                 | (26,986)   | 52.9563%                           | (14,291) <sup>4/</sup>    |
| 3        | Distribution plant                            | (4,924,270)                                 | (4,816,028)                                 | (108,242)  | 73.9530%                           | (80,048) <sup>4/</sup>    |
| 4        | General plant                                 | (456,642)                                   | (414,681)                                   | (41,961)   | 68.6472%                           | (28,805) <sup>4/</sup>    |
| 5        | Intangible plant                              | (658,209)                                   | (609,897)                                   | (48,312)   | 68.6472%                           | (33,165) <sup>4/</sup>    |
| 6        | Total accumulated depreciation                | <u>(\$16,694,528)</u>                       | <u>(\$15,830,487)</u>                       | <u>(\$864,041)</u>                                     |                                    | <u>(\$581,381)</u>        |
| 7        | Change in accumulated depreciation (L6)       |   |   |  |                                    | (\$581,381)               |
| 8        | Less: Non-fuel rider activity                 |   |   |  |                                    | -                         |
| 9        | Public Staff adjustment to update to 11/30/19 |   |   |  |                                    | (581,381)                 |
| 10       | Company adjustment to update                  |   |   |  |                                    | (594,412) <sup>6/</sup>   |
| 11       | Public Staff adjustment (L9 - L10)            |   |   |  |                                    | <u>\$13,031</u>           |

- 1/ Based on Company response to DR1-7, November 30, 2019 update.  
2/ Column (a) minus Column (b).  
3/ E-1, Item 45a, DEC COS NC SWPA.  
4/ Column (c) times Column (d).  
5/ McManeus Exhibit 1, NC-1001 and NC-1009.  
6/ McManeus Exhibit 1, NC-1001, Line 28, Total NC Retail Column.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO ACCUMULATED**  
**DEPRECIATION FOR ANNUALIZATION OF**  
**DEPRECIATION EXPENSE**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(a)(3)**

| Line No. | Item  | Annualized<br>Depreciation<br>Expense at<br>11/30/19 <sup>1/</sup> | Per Books<br>Depreciation<br>Expense for<br>Twelve Months<br>Ended 11/30/19 <sup>1/</sup> | Difference <sup>2/</sup> | NC Retail<br>Percentage <sup>3/</sup> | NC Retail<br>Amount           |
|----------|---|--|---|--------------------------|---------------------------------------|-------------------------------|
|          |   | (a)  | (b)   | (c)                      | (d)                                   | (e)                           |
| 1        | Production plant                                    | \$739,757  | \$720,011   | \$19,745                 | 66.5694%                              | \$13,144 <sup>4/</sup>        |
| 2        | Transmission plant                                  | 86,455   | 83,625  | 2,830                    | 52.9563%                              | 1,499 <sup>4/</sup>           |
| 3        | NC Distribution plant                               | 215,687  | 202,450   | 13,237                   | 99.6432%                              | 13,190 <sup>4/</sup>          |
| 4        | SC Distribution plant                               | 75,031   | 69,954  | 5,078                    | 0.0000%                               | - <sup>4/</sup>               |
| 5        | General plant                                       | 66,648   | 63,880  | 2,768                    | 68.6472%                              | 1,900 <sup>4/</sup>           |
| 6        | Intangible plant                                    | 68,376   | 68,376  | -                        | 68.6472%                              | - <sup>4/</sup>               |
| 7        | Total accumulated depreciation                      | <u>\$1,251,954</u>   | <u>\$1,208,296</u>  | <u>\$43,658</u>          |                                       | <u>\$29,733</u>               |
| 8        | Adjustment to accumulated depreciation (-L7)        |  |   |                          |                                       | (\$29,733)                    |
| 9        | Company adjustment                                  |  |   |                          |                                       | <u>(24,951) <sup>5/</sup></u> |
| 10       | Public Staff adjustment to accumulated depreciation |  |   |                          |                                       | <u>(\$4,782)</u>              |

1/ Based on Company revised response to Public Staff Data Request No. 174, Item 1.

2/ Column (a) minus Column (b).

3/ E-1, Item 45a, DEC COS NC SWPA.

4/ Column (c) times Column (d).

5/ E-1, Item No. 10, NC-1000, Line 29, Total NC Retail Column.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT ADIT for NC Unrecovered Net Book Value of Retired**  
**Meters**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(b)**

| Line No. | Item  | Amount                        |
|----------|---|-------------------------------|
| 1        | NC Unrecovered NBV of Retired Meter Reg Asset Balance at 11/30/19 | \$105,766 <sup>1/</sup>       |
| 2        | NC Unrecovered NBV of Retired Meter Reg Asset Balance at 12/31/18 | <u>66,567</u> <sup>2/</sup>   |
| 3        | Actual Net Change through November 30, 2019 (L1 - L2)             | 39,199                        |
| 4        | Tax rate  | <u>23.3503%</u> <sup>3/</sup> |
| 5        | Impact to ADIT (L3 x L4)  | (9,153)                       |
| 6        | Company adjustment to ADIT  | <u>1,155</u> <sup>4/</sup>    |
| 7        | Adjustment to ADIT for retired meters (L5 - L6)                   | <u><u>(10,308)</u></u>        |

1/ Per Company response to DR1-7, updated for November 30, 2019.

2/ E-1, Item 10, NC-1005, Line 2.

3/ Composite tax rate.

4/ E-1, Item 10, NC-1005, Line 28.

**DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations**

**Public Staff  
Boswell Exhibit 1  
Schedule 2-1(c)**

**ADJUSTMENT TO RATE BASE FOR TREATMENT AS A RIDER  
For the Test Year Ended December 31, 2018  
(in Thousands)**

| Line<br>No. | Item  | Amount                  |
|-------------|---|-------------------------|
| 1           | Adjustments required to flow back refunds to customers through a Rider:               |                         |
| 2           | Adjustment to remove federal unprotected EDIT from rate base                          | (\$1,031,490) 1/        |
| 3           | Adjustment to remove state EDIT from rate base  | (34,341) 2/             |
| 4           | Adjustment to remove overcollection of revenues due to FIT rate change from rate base | <u>(121,053) 3/</u>     |
| 5           | Public Staff Adjustments to rate base for tax changes (Sum of Lines 2 through 4)      | <u>(\$1,152,543) 4/</u> |

1/ McManeus Exhibit 4, Line 8, Columns (b) and (c).

2/ McManeus Exhibit 4, Line 8, Columns (d).

3/ McManeus Exhibit 4, Line 8, Column (e).

4/ Company removed state EDIT from rate base in NC-0601, Line 74.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF WORKING CAPITAL FROM**  
**LEAD / LAG STUDY UNDER PRESENT RATES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(d)**

| Line No. | Item  | Per Books Amounts <sup>1/</sup><br>(a) | Company Ratemaking Adjustments <sup>2/</sup><br>(b) | After Company Adjustments <sup>3/</sup><br>(c) | Public Staff Adjustments <sup>4/</sup><br>(d) | After Public Staff Adjustments <sup>5/</sup><br>(e) | (Lead) / Lag Days <sup>6/</sup><br>(f) | Working Capital From Lead/ Lag Study <sup>7/</sup><br>(g) |
|----------|---|--|---|--|---|---|--|---|
| 1        | Electric operating revenues:                        |  |   |  |   |   |  |   |
| 2        | Rate revenues                                       | \$4,712,324                            | (\$142,660)   | \$4,569,664                                    | \$40,605                                      | \$4,610,269   | 39.58                                  | \$499,930   |
| 3        | Sales for resale revenues                           | 61,600                                 |   | 61,600   | -   | 61,600  | 35.44                                  | 5,981   |
| 4        | Forfeited discounts                                 | 15,256                                 |   | 15,256   | -   | 15,256  | 70.00                                  | 2,926   |
| 5        | Miscellaneous service revenues                      | 9,541                                  |   | 9,541  | -   | 9,541   | 76.00                                  | 1,987   |
| 6        | Rent revenues - extra facilities - depreciation     |  |   | -  | -   | -   |  | -   |
| 7        | Rent revenues - extra facilities - other            | 25,058                                 |   | 25,058   | -   | 25,058  | 30.13                                  | 2,068   |
| 8        | Rent revenues - pole & line attachments             | 27,655                                 |   | 27,655   | -   | 27,655  | 143.39                                 | 10,864  |
| 9        | Tower lease revenues                                | 6,161                                  |   | 6,161  | -   | 6,161   | (93.97)                                | (1,586)   |
| 10       | Other electric rents                                | 3,060                                  |   | 3,060  | -   | 3,060   | 45.21                                  | 379   |
| 11       | Return & depr - Catawba general plant               | 11,264                                 |   | 11,264   | -   | 11,264  | (15.21)                                | (469)   |
| 12       | Other misc revenues - CIAC & comp for svc           | 13,227                                 |   | 13,227   | -   | 13,227  | (15.21)                                | (551)   |
| 13       | Other misc revenues - timber sales                  | 3                                      |   | 3  | -   | 3   | -                                      | -   |
| 14       | Profit or loss on sale of M&S                       | 1                                      |   | 1  | -   | 1   | -                                      | -   |
| 15       | Deferred DSM costs - NC                             | (377)                                  |   | (377)  | -   | (377)   | -                                      | -   |
| 16       | Other revenue affiliate                             | 8,729                                  |   | 8,729  | -   | 8,729   | 40.21                                  | 962   |
| 17       | Revenues from transm of electricity to others       | 5,032                                  |   | 5,032  | -   | 5,032   | 40.41                                  | 557   |
| 18       | Other electric revenues                             | 3,639                                  |   | 3,639  | -   | 3,639   | 36.03                                  | 359   |
| 19       | Other transmission revenues                         | 1,916                                  |   | 1,916  | -   | 1,916   |  | -   |
| 20       | Electric operating revenues                         | <u>4,904,089</u>                       | <u>(142,660)</u>                                    | <u>4,761,429</u>                               | <u>40,605</u>                                 | <u>\$4,802,034</u>                                  | <u>39.78</u>                           | <u>523,407</u>  |
| 21       | Fuel used in electric generation                    | 989,374                                | 168,854   | 1,158,228                                      | (16,424)                                      | 1,141,804   | (22.33)                                | (69,853)  |
| 22       | Account 555 - Purchased Power                       | 331,394                                | (170,936)   | 160,458  | -   | 160,458   | (39.00)                                | (17,145)  |
| 23       | Retail Deferred Fuel Exp - NCR                      | (137,046)                              |   | (137,046)                                      | -   | (137,046)   | (22.33)                                | 8,384   |
| 24       | NRC license fees in Acct 524                        |  |   | -  | -   | -   |  | -   |
| 25       | NRC inspection fees in Acct 524                     |  |   | -  | -   | -   |  | -   |
| 26       | Labor expense                                       | 571,027                                | (27,066)  | 543,961  | (25,536)                                      | 518,425   | (36.37)                                | (51,658)  |
| 27       | Benefits expense                                    | 69,021                                 | (1,433)   | 67,588   | -   | 67,588  | (12.21)                                | (2,261)   |
| 28       | Uncollectibles expense                              |  |   | -  | -   | -   |  | -   |
| 29       | Regulatory commission expense                       | 8,163                                  |   | 8,163  | -   | 8,163   | (89.82)                                | (2,009)   |
| 30       | Property insurance                                  | 1,625                                  |   | 1,625  | -   | 1,625   | 474.55                                 | 2,113   |
| 31       | Injuries and damages for corp                       | 5,274                                  |   | 5,274  | -   | 5,274   | 145.50                                 | 2,102   |
| 32       | Other O&M expense                                   | 720,829                                |   | 720,829  | (7,362)                                       | 713,467   | (36.49)                                | (71,327)  |
| 33       | Remove non-fuel rider costs and update fuel         |  | (139,240)   | (139,240)                                      | -   | (139,240)   | (33.90)                                | 12,932  |
| 34       | Adjust for hydro station transfer                   |  | (1,560)   | (1,560)  | -   | (1,560)   | (33.90)                                | 145   |
| 35       | Adjust for inflation                                |  | 2,631   | 2,631  | 4,285   | 6,916   | (30.71)                                | (582)   |
| 36       | Adjust for approved reg assets and liabilities      |  | 1,408   | 1,408  | -   | 1,408   |  | -   |
| 37       | Adjust for severance                                |  | (46,208)  | (46,208)                                       | -   | (46,208)  | (36.37)                                | 4,604   |
| 38       | Adjust vegetation management, storm, & outside svcs |  | 7,739   | 7,739  | (2,811)                                       | 4,928   | (36.49)                                | (493)   |
| 39       | Adjust for credit card fees                         |  | 8,774   | 8,774  | -   | 8,774   | (36.49)                                | (877)   |
| 40       | Adjust for nuclear refueling outage costs           |  | (2,138)   | (2,138)  | -   | (2,138)   | (36.49)                                | 214   |

**DUKE ENERGY CAROLINAS, LLC**  
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**North Carolina Retail Operations**  
**CALCULATION OF WORKING CAPITAL FROM**  
**LEAD / LAG STUDY UNDER PRESENT RATES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(d)**

| Line No. | Item  | Per Books Amounts<br>(a) | Company Ratemaking Adjustments<br>2/ (b) | After Company Adjustments<br>3/ (c) | Public Staff Adjustments<br>4/ (d) | After Public Staff Adjustments<br>5/ (e) | (Lead) / Lag Days<br>6/ (f) | Working Capital From Lead/Lag Study<br>7/ (g) |
|----------|---|--------------------------|--|-------------------------------------|------------------------------------|--|-----------------------------|---|
| 41       | Adjust for merger related costs                 |                          | (5,530)                                  | (5,530)                             |                                    | (5,530)                                  | (33.90)                     | 514   |
| 42       | Annualize retail revenues for current rates     |                          | (826)                                    | (826)                               |                                    | (826)                                    | (33.90)                     | 77  |
| 43       | Normalize for weather                           |                          | (416)                                    | (416)                               |                                    | (416)                                    | (33.90)                     | 39  |
| 44       | Annualize revenues for customer growth          |                          | 39                                       | 39                                  |                                    | 39                                       | (33.90)                     | (4)   |
| 45       | Amortize rate case costs                        |                          | 801                                      | 801                                 |                                    | 801                                      | -                           | -   |
| 46       | Adjust aviation expense                         |                          | (1,986)                                  | (1,986)                             |                                    | (1,986)                                  | (33.90)                     | 184   |
| 47       | Adjust NC regulatory fee                        |                          | (500)                                    | (500)                               | -                                  | (500)                                    | (89.82)                     | 123   |
| 48       | Adjust other revenues                           |                          | (36)                                     | (36)                                | -                                  | (36)                                     | (33.90)                     | 3   |
| 49       | Other adjustments to reg fees and uncoll.       |                          |  |                                     |                                    |  |                             |   |
| 50       | Total O&M expenses                              | 2,559,661                | (207,629)                                | 2,352,031                           | (47,847)                           | 2,304,184                                |                             | (184,775)                                     |
| 51       | Depreciation expense                            | 838,805                  | 358,330                                  | 1,197,135                           | (145,319)                          | 1,051,816                                | -                           | -   |
| 52       | REPS rider NC amortization expense              |                          |  | -                                   | -                                  | -  | -                           | -   |
| 53       | Annual NOx proceeds                             |                          |  | -                                   | -                                  | -  | -                           | -   |
| 54       | Other amortization expense                      |                          | -  | -                                   | (30,969)                           | (30,969)                                 | -                           | -   |
| 55       | Remove non-fuel rider costs                     |                          |  | -                                   | -                                  | -  | -                           | -   |
| 56       | Rounding  |                          |  | -                                   | -                                  | -  | -                           | -   |
| 57       | Depreciation and amortization expense           | 838,805                  | 358,330                                  | 1,197,135                           | (176,288)                          | 1,020,847                                |                             | -   |
| 58       | Other taxes - NC property tax                   | 80,657                   | 14,241                                   | 94,898                              | (8)                                | 94,890                                   | (186.50)                    | (48,485)                                      |
| 59       | Other taxes - NC franchise & deferred prop. tax |                          |  | -                                   | -                                  | -  | -                           | -   |
| 60       | Other taxes - NC state unemployment tax         |                          |  | -                                   | -                                  | -  | -                           | -   |
| 61       | Other taxes - NC industrial comm - electric     |                          |  | -                                   | -                                  | -  | -                           | -   |
| 62       | Other taxes - SC property tax                   | 81,208                   |  | 81,208                              | -                                  | 81,208                                   | (196.50)                    | (43,719)                                      |
| 63       | Other taxes - SC property tax - license fee     |                          |  | -                                   | -                                  | -  | -                           | -   |
| 64       | Other taxes - NC franchise tax                  |                          |  | -                                   | -                                  | -  | -                           | -   |
| 65       | Other taxes - SC state unemployment tax         |                          |  | -                                   | -                                  | -  | -                           | -   |
| 66       | Other taxes - federal payroll taxes             | 34,411                   |  | 34,411                              | -                                  | 34,411                                   | (51.17)                     | (4,824)                                       |
| 67       | Other taxes - federal unemployment tax          |                          |  | -                                   | -                                  | -  | -                           | -   |
| 68       | Other taxes - federal highway use tax           |                          |  | -                                   | -                                  | -  | -                           | -   |
| 69       | Other taxes                                     | (1,594)                  | (147)                                    | (1,741)                             | -                                  | (1,741)                                  | (21.04)                     | 100   |
| 70       | Adjust payroll taxes                            |                          | (1,262)                                  | (1,262)                             | (196)                              | (1,458)                                  |                             | -   |
| 71       | Total taxes other than income                   | 194,682                  | 12,832                                   | 207,514                             | (204)                              | 207,310                                  | (168.11)                    | (95,482)                                      |
| 72       | Interest on customer deposits                   | 7,130                    | -  | 7,130                               | -                                  | 7,130                                    | (218.40)                    | (4,266)                                       |
| 73       | Current state and federal income tax            | 2,397                    | -  | 2,397                               | -                                  | 2,397                                    | (44.75)                     | (294)   |
| 74       | Deferred income taxes                           | 222,600                  | (60,020)                                 | 162,580                             | -                                  | 162,580                                  | -                           | -   |
| 75       | Adjust income taxes                             |                          |  | -                                   | 53,348                             | 53,348                                   | -                           | -   |
| 76       | Total income taxes                              | 224,997                  | (60,020)                                 | 164,977                             | 53,348                             | 218,325                                  |                             | (294)   |
| 77       | Amortization of ITC                             | (3,526)                  | 690                                      | (2,836)                             | -                                  | (2,836)                                  | -                           | -   |
| 78       | Total electric operating expenses               | 3,821,749                | 104,203                                  | 3,925,952                           | (170,992)                          | 3,754,960                                |                             | (284,817)                                     |

**DUKE ENERGY CAROLINAS, LLC**  
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**North Carolina Retail Operations**  
**CALCULATION OF WORKING CAPITAL FROM**  
**LEAD / LAG STUDY UNDER PRESENT RATES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(d)**

| Line No. | Item  | Per Books<br>Amounts <sup>1/</sup> | Company<br>Ratemaking<br>Adjustments <sup>2/</sup> | After<br>Company<br>Adjustments <sup>3/</sup> | Public Staff<br>Adjustments <sup>4/</sup> | After<br>Public Staff<br>Adjustments <sup>5/</sup> | (Lead) / Lag<br>Days <sup>6/</sup> | Working<br>Capital<br>From Lead/<br>Lag Study <sup>7/</sup> |
|----------|---|------------------------------------|--|---|---|--|------------------------------------|---|
|          |   | (a)                                | (b)  | (c)   | (d)                                       | (e)  | (f)                                | (g)   |
| 79       | Interest expense                                  | 317,199                            | 11,048   | 328,247                                       | 36,262                                    | 364,509  |                                    | -   |
| 80       | Income available for common equity                | 765,141                            | (257,911)  | 507,230                                       | 175,335                                   | 682,565  |                                    | -   |
| 81       | Net operating income for return                   | <u>1,082,340</u>                   | <u>(246,863)</u>                                   | <u>835,477</u>                                | <u>211,597</u>                            | <u>1,047,074</u>                                   |                                    | -   |
| 82       | Total requirement                                 | <u>\$4,904,089</u>                 | <u>(\$142,660)</u>                                 | <u>\$4,761,429</u>                            | <u>\$40,605</u>                           | <u>\$4,802,034</u>                                 |                                    | <u>(\$284,817)</u>  |
| 83       | Cash working capital before sales tax requirement |                                    |  |   |   |  |                                    | \$238,590   |
| 84       | Working capital related to sales tax              |                                    |  |   |   |  |                                    | <u>6,204</u>  |
| 85       | Cash working capital per Public Staff             |                                    |  |   |   |  |                                    | 244,794   |
| 86       | Amount per Company application                    |                                    |  |   |   |  |                                    | <u>156,946</u> <sup>2/</sup>                                |
| 87       | Adjustment to cash working capital                |                                    |  |   |   |  |                                    | <u>\$87,848</u>   |

- 1/ E-1, Item No. 14, Appendix A, Lead Lag Details, NC Retail Jurisdictional Amount.
- 2/ McManues Exhibit 1.
- 3/ Column (a) plus Column (b).
- 4/ Boswell Exhibit 1, Schedule 2-1(d)(1), Column (aa).
- 5/ Column (c) plus Column (d).
- 6/ E-1, Item No. 14, Appendix A, Lead Lag Details, Lead Lag Days, corrected per responses to Company data request responses.
- 7/ Column (e) divided by 365 days times Column (f).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**PUBLIC STAFF ADJUSTMENTS TO BE**  
**REFLECTED IN LEAD / LAG CALCULATION**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(d)(1)**  
**Page 1 of 6**

| Line No. | Item  | Adjust Weather Normalization 1/ (a) | Update Plant to 11/30/2019 1/ (b) | Update Customer Growth & Usage to 11/30/2019 1/ (c) | Adjust Distribution Vegetation Management 1/ (d) | Adjust Salaries and Wages 1/ (e) |
|----------|---|-------------------------------------|-----------------------------------|---|--|----------------------------------|
| 1        | Electric operating revenues:                        |                                     |                                   |   |  |                                  |
| 2        | Rate revenues                                       | \$12,622                            | \$0                               | \$27,983  | \$0  | \$0                              |
| 3        | Sales for resale revenues                           | -                                   | -                                 | -   | -  | -                                |
| 4        | Forfeited discounts                                 | -                                   | -                                 | -   | -  | -                                |
| 5        | Miscellaneous service revenues                      | -                                   | -                                 | -   | -  | -                                |
| 6        | Rent revenues - extra facilities - depreciation     | -                                   | -                                 | -   | -  | -                                |
| 7        | Rent revenues - extra facilities - other            | -                                   | -                                 | -   | -  | -                                |
| 8        | Rent revenues - pole & line attachments             | -                                   | -                                 | -   | -  | -                                |
| 9        | Tower lease revenues                                | -                                   | -                                 | -   | -  | -                                |
| 10       | Other electric rents                                | -                                   | -                                 | -   | -  | -                                |
| 11       | Return & depr - Catawba general plant               | -                                   | -                                 | -   | -  | -                                |
| 12       | Other misc revenues - CIAC & comp for svc           | -                                   | -                                 | -   | -  | -                                |
| 13       | Other misc revenues - timber sales                  | -                                   | -                                 | -   | -  | -                                |
| 14       | Profit or loss on sale of M&S                       | -                                   | -                                 | -   | -  | -                                |
| 15       | Deferred DSM costs - NC                             | -                                   | -                                 | -   | -  | -                                |
| 16       | Other revenue affiliate                             | -                                   | -                                 | -   | -  | -                                |
| 17       | Revenues from transm of electricity to others       | -                                   | -                                 | -   | -  | -                                |
| 18       | Other electric revenues                             | -                                   | -                                 | -   | -  | -                                |
| 19       | Electric operating revenues                         | <u>12,622</u>                       | <u>-</u>                          | <u>27,983</u>                                       | <u>-</u>   | <u>-</u>                         |
| 20       | Fuel used in electric generation                    | (\$21,772)                          | -                                 | \$5,348   | -  | -                                |
| 21       | Account 555 - Purchased Power                       | -                                   | -                                 | -   | -  | -                                |
| 22       | NRC license fees in Acct 524                        | -                                   | -                                 | -   | -  | -                                |
| 23       | NRC inspection fees in Acct 524                     | -                                   | -                                 | -   | -  | -                                |
| 24       | Labor expense                                       | -                                   | -                                 | -   | -  | (3,500)                          |
| 25       | Benefits expense                                    | -                                   | -                                 | -   | -  | -                                |
| 26       | Uncollectibles expense                              | -                                   | -                                 | -   | -  | -                                |
| 27       | Regulatory commission expense                       | -                                   | -                                 | -   | -  | -                                |
| 28       | Property insurance                                  | -                                   | -                                 | -   | -  | -                                |
| 29       | Injuries and damages for corp                       | -                                   | -                                 | -   | -  | -                                |
| 30       | Other O&M expense                                   | -                                   | -                                 | 2,461   | -  | -                                |
| 31       | Remove non-fuel rider costs and update fuel         | -                                   | -                                 | -   | -  | -                                |
| 32       | Adjust for hydro station transfer                   | -                                   | -                                 | -   | -  | -                                |
| 33       | Adjust for inflation                                | -                                   | -                                 | -   | -  | -                                |
| 34       | Adjust for approved reg assets and liabilities      | -                                   | -                                 | -   | -  | -                                |
| 35       | Adjust for severance                                | -                                   | -                                 | -   | -  | -                                |
| 36       | Adjust vegetation management, storm, & outside svcs | -                                   | -                                 | -   | (205)  | -                                |
| 37       | Adjust NC regulatory fee                            | -                                   | -                                 | -   | -  | -                                |
| 38       | Adjust other revenues                               | -                                   | -                                 | -   | -  | -                                |
| 39       | Total O&M expenses                                  | <u>(21,772)</u>                     | <u>-</u>                          | <u>7,809</u>  | <u>(205)</u>                                     | <u>(3,500)</u>                   |
| 40       | Depreciation expense                                | -                                   | (6,664)                           | -   | -  | -                                |
| 41       | REPS rider NC amortization expense                  | -                                   | -                                 | -   | -  | -                                |
| 42       | Annual NOx proceeds                                 | -                                   | -                                 | -   | -  | -                                |
| 43       | Other amortization expense                          | -                                   | -                                 | -   | -  | -                                |
| 44       | Remove non-fuel rider costs                         | -                                   | -                                 | -   | -  | -                                |
| 45       | Depreciation and amortization expense               | <u>-</u>                            | <u>(6,664)</u>                    | <u>-</u>  | <u>-</u>   | <u>-</u>                         |
| 46       | Other taxes - NC property tax                       | -                                   | (10)                              | -   | -  | -                                |
| 47       | Other taxes - NC franchise & deferred prop. tax     | -                                   | -                                 | -   | -  | -                                |
| 48       | Other taxes - NC state unemployment tax             | -                                   | -                                 | -   | -  | -                                |
| 49       | Other taxes - NC industrial comm - electric         | -                                   | -                                 | -   | -  | -                                |
| 50       | Other taxes - SC property tax                       | -                                   | -                                 | -   | -  | -                                |
| 51       | Other taxes - SC property tax - license fee         | -                                   | -                                 | -   | -  | -                                |
| 52       | Other taxes - NC franchise tax                      | -                                   | -                                 | -   | -  | -                                |
| 53       | Other taxes - SC state unemployment tax             | -                                   | -                                 | -   | -  | -                                |
| 54       | Other taxes - federal payroll taxes                 | -                                   | -                                 | -   | -  | -                                |
| 55       | Other taxes - federal unemployment tax              | -                                   | -                                 | -   | -  | -                                |
| 56       | Other taxes - federal highway use tax               | -                                   | -                                 | -   | -  | -                                |
| 57       | Other taxes   | -                                   | -                                 | -   | -  | -                                |
| 58       | Adjust payroll taxes                                | -                                   | -                                 | -   | -  | (172)                            |
| 59       | Total taxes other than income                       | <u>-</u>                            | <u>(10)</u>                       | <u>-</u>  | <u>-</u>   | <u>(172)</u>                     |
| 60       | Interest on customer deposits                       | -                                   | -                                 | -   | -  | -                                |
| 61       | Current state and federal income tax                | -                                   | -                                 | -   | -  | -                                |
| 62       | Deferred income taxes                               | -                                   | -                                 | -   | -  | -                                |
| 63       | Adjust income taxes                                 | 8,031                               | 1,558                             | 4,711   | -  | 857                              |
| 64       | Total income taxes                                  | <u>8,031</u>                        | <u>1,558</u>                      | <u>4,711</u>  | <u>-</u>   | <u>857</u>                       |
| 65       | Amortization of ITC                                 | -                                   | -                                 | -   | -  | -                                |
| 66       | Total electric operating expenses                   | <u>(13,741)</u>                     | <u>(5,116)</u>                    | <u>12,520</u>                                       | <u>(205)</u>                                     | <u>(2,815)</u>                   |
| 67       | Interest expense                                    | -                                   | -                                 | -   | -  | -                                |
| 68       | Income available for common equity (L39 -L66 - L67) | 26,363                              | 5,116                             | 15,463  | 205  | 2,815                            |
| 69       | Net operating income for return                     | <u>26,363</u>                       | <u>5,116</u>                      | <u>15,463</u>                                       | <u>205</u>                                       | <u>2,815</u>                     |
| 70       | Total requirement                                   | <u>\$12,622</u>                     | <u>\$0</u>                        | <u>\$27,983</u>                                     | <u>\$0</u>                                       | <u>\$0</u>                       |

1/ Boswell Exhibit 1, Schedule 3-1.

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Feb 18 2020

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations  
PUBLIC STAFF ADJUSTMENTS TO BE  
REFLECTED IN LEAD / LAG CALCULATION  
For the Test Year Ended December 31, 2018  
(in Thousands)

Public Staff  
Boswell Exhibit 1  
Schedule 2-1(d)(1)  
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| Line No. | Item  | Remove<br>EDIT<br>Refund for<br>Treatment<br>as a Rider<br>1/<br>(f) | Adjust<br>for Hydro<br>Station Sale<br>1/<br>(g) | Adjust<br>Depreciation<br>Rates<br>1/<br>(h) | Adjust<br>Incentives<br>1/<br>(i) | Adjust<br>Executive<br>Compensation<br>1/<br>(j) |
|----------|---|--|--|--|-----------------------------------|--|
| 1        | Electric operating revenues:                        |  |  |  |                                   |  |
| 2        | Rate revenues                                       | \$0  | \$0  | \$0  | \$0                               | \$0  |
| 3        | Sales for resale revenues                           | -  | -  | -  | -                                 | -  |
| 4        | Forfeited discounts                                 | -  | -  | -  | -                                 | -  |
| 5        | Miscellaneous service revenues                      | -  | -  | -  | -                                 | -  |
| 6        | Rent revenues - extra facilities - depreciation     | -  | -  | -  | -                                 | -  |
| 7        | Rent revenues - extra facilities - other            | -  | -  | -  | -                                 | -  |
| 8        | Rent revenues - pole & line attachments             | -  | -  | -  | -                                 | -  |
| 9        | Tower lease revenues                                | -  | -  | -  | -                                 | -  |
| 10       | Other electric rents                                | -  | -  | -  | -                                 | -  |
| 11       | Return & depr - Catawba general plant               | -  | -  | -  | -                                 | -  |
| 12       | Other misc revenues - CIAC & comp for svc           | -  | -  | -  | -                                 | -  |
| 13       | Other misc revenues - timber sales                  | -  | -  | -  | -                                 | -  |
| 14       | Profit or loss on sale of M&S                       | -  | -  | -  | -                                 | -  |
| 15       | Deferred DSM costs - NC                             | -  | -  | -  | -                                 | -  |
| 16       | Other revenue affiliate                             | -  | -  | -  | -                                 | -  |
| 17       | Revenues from transm of electricity to others       | -  | -  | -  | -                                 | -  |
| 18       | Other electric revenues                             | -  | -  | -  | -                                 | -  |
| 19       | Electric operating revenues                         | -  | -  | -  | -                                 | -  |
| 20       | Fuel used in electric generation                    | -  | -  | -  | -                                 | -  |
| 21       | Account 555 - Purchased Power                       | -  | -  | -  | -                                 | -  |
| 22       | NRC license fees in Acct 524                        | -  | -  | -  | -                                 | -  |
| 23       | NRC inspection fees in Acct 524                     | -  | -  | -  | -                                 | -  |
| 24       | Labor expense                                       | -  | -  | -  | (19,614)                          | (173)  |
| 25       | Benefits expense                                    | -  | -  | -  | -                                 | -  |
| 26       | Uncollectibles expense                              | -  | -  | -  | -                                 | -  |
| 27       | Regulatory commission expense                       | -  | -  | -  | -                                 | -  |
| 28       | Property insurance                                  | -  | -  | -  | -                                 | -  |
| 29       | Injuries and damages for corp                       | -  | -  | -  | -                                 | -  |
| 30       | Other O&M expense                                   | -  | 4  | -  | -                                 | -  |
| 31       | Remove non-fuel rider costs and update fuel         | -  | -  | -  | -                                 | -  |
| 32       | Adjust for hydro station transfer                   | -  | -  | -  | -                                 | -  |
| 33       | Adjust for inflation                                | -  | -  | -  | -                                 | -  |
| 34       | Adjust for approved reg assets and liabilities      | -  | -  | -  | -                                 | -  |
| 35       | Adjust for severance                                | -  | -  | -  | -                                 | -  |
| 36       | Adjust vegetation management, storm, & outside svcs | -  | -  | -  | -                                 | -  |
| 37       | Adjust NC regulatory fee                            | -  | -  | -  | -                                 | -  |
| 38       | Adjust other revenues                               | -  | -  | -  | -                                 | -  |
| 39       | Total O&M expenses                                  | -  | 4  | -  | (19,614)                          | (173)  |
| 40       | Depreciation expense                                | -  | (2,071)  | (33,154)                                     | -                                 | -  |
| 41       | REPS rider NC amortization expense                  | -  | -  | -  | -                                 | -  |
| 42       | Annual NOx proceeds                                 | -  | -  | -  | -                                 | -  |
| 43       | Other amortization expense                          | -  | -  | -  | -                                 | -  |
| 44       | Remove non-fuel rider costs                         | -  | -  | -  | -                                 | -  |
| 45       | Depreciation and amortization expense               | -  | (2,071)  | (33,154)                                     | -                                 | -  |
| 46       | Other taxes - NC property tax                       | -  | 2  | -  | -                                 | -  |
| 47       | Other taxes - NC franchise & deferred prop. tax     | -  | -  | -  | -                                 | -  |
| 48       | Other taxes - NC state unemployment tax             | -  | -  | -  | -                                 | -  |
| 49       | Other taxes - NC industrial comm - electric         | -  | -  | -  | -                                 | -  |
| 50       | Other taxes - SC property tax                       | -  | -  | -  | -                                 | -  |
| 51       | Other taxes - SC property tax - license fee         | -  | -  | -  | -                                 | -  |
| 52       | Other taxes - NC franchise tax                      | -  | -  | -  | -                                 | -  |
| 53       | Other taxes - SC state unemployment tax             | -  | -  | -  | -                                 | -  |
| 54       | Other taxes - federal payroll taxes                 | -  | -  | -  | -                                 | -  |
| 55       | Other taxes - federal unemployment tax              | -  | -  | -  | -                                 | -  |
| 56       | Other taxes - federal highway use tax               | -  | -  | -  | -                                 | -  |
| 57       | Other taxes   | -  | -  | -  | -                                 | -  |
| 58       | Adjust payroll taxes                                | -  | -  | -  | -                                 | -  |
| 59       | Total taxes other than income                       | -  | 2  | -  | -                                 | -  |
| 60       | Interest on customer deposits                       | -  | -  | -  | -                                 | -  |
| 61       | Current state and federal income tax                | -  | -  | -  | -                                 | -  |
| 62       | Deferred income taxes                               | -  | -  | -  | -                                 | -  |
| 63       | Adjust income taxes                                 | -  | 482  | 7,742  | 4,580                             | 40   |
| 64       | Total income taxes                                  | -  | 482  | 7,742  | 4,580                             | 40   |
| 65       | Amortization of ITC                                 | -  | -  | -  | -                                 | -  |
| 66       | Total electric operating expenses                   | -  | (1,583)  | (25,412)                                     | (15,034)                          | (133)  |
| 67       | Interest expense                                    | -  | -  | -  | -                                 | -  |
| 68       | Income available for common equity (L39 -L66 - L67) | -  | 1,583  | 25,412                                       | 15,034                            | 133  |
| 69       | Net operating income for return                     | -  | 1,583  | 25,412                                       | 15,034                            | 133  |
| 70       | Total requirement                                   | \$0  | \$0  | \$0  | \$0                               | \$0  |

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations  
PUBLIC STAFF ADJUSTMENTS TO BE  
REFLECTED IN LEAD / LAG CALCULATION  
For the Test Year Ended December 31, 2018  
(in Thousands)

Public Staff  
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Schedule 2-1(d)(1)  
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| Line No. | Item  | Adjust<br>Aviation<br>Expenses<br>(k) | Adjust<br>Credit Card<br>Fees<br>(l) | Adjust<br>Advertising<br>Expense<br>(m) | Adjust<br>Storm<br>Deferral<br>(n) |
|----------|---|---------------------------------------|--------------------------------------|---|------------------------------------|
| 1        | Electric operating revenues:                        |                                       |                                      |   |                                    |
| 2        | Rate revenues                                       | \$0                                   | \$0                                  | \$0                                     | \$0                                |
| 3        | Sales for resale revenues                           | -                                     | -                                    | -                                       | -                                  |
| 4        | Forfeited discounts                                 | -                                     | -                                    | -                                       | -                                  |
| 5        | Miscellaneous service revenues                      | -                                     | -                                    | -                                       | -                                  |
| 6        | Rent revenues - extra facilities - depreciation     | -                                     | -                                    | -                                       | -                                  |
| 7        | Rent revenues - extra facilities - other            | -                                     | -                                    | -                                       | -                                  |
| 8        | Rent revenues - pole & line attachments             | -                                     | -                                    | -                                       | -                                  |
| 9        | Tower lease revenues                                | -                                     | -                                    | -                                       | -                                  |
| 10       | Other electric rents                                | -                                     | -                                    | -                                       | -                                  |
| 11       | Return & depr - Catawba general plant               | -                                     | -                                    | -                                       | -                                  |
| 12       | Other misc revenues - CIAC & comp for svc           | -                                     | -                                    | -                                       | -                                  |
| 13       | Other misc revenues - timber sales                  | -                                     | -                                    | -                                       | -                                  |
| 14       | Profit or loss on sale of M&S                       | -                                     | -                                    | -                                       | -                                  |
| 15       | Deferred DSM costs - NC                             | -                                     | -                                    | -                                       | -                                  |
| 16       | Other revenue affiliate                             | -                                     | -                                    | -                                       | -                                  |
| 17       | Revenues from transm of electricity to others       | -                                     | -                                    | -                                       | -                                  |
| 18       | Other electric revenues                             | -                                     | -                                    | -                                       | -                                  |
| 19       | Electric operating revenues                         | -                                     | -                                    | -                                       | -                                  |
| 20       | Fuel used in electric generation                    | -                                     | -                                    | -                                       | -                                  |
| 21       | Account 555 - Purchased Power                       | -                                     | -                                    | -                                       | -                                  |
| 22       | NRC license fees in Acct 524                        | -                                     | -                                    | -                                       | -                                  |
| 23       | NRC inspection fees in Acct 524                     | -                                     | -                                    | -                                       | -                                  |
| 24       | Labor expense                                       | -                                     | -                                    | -                                       | -                                  |
| 25       | Benefits expense                                    | -                                     | -                                    | -                                       | -                                  |
| 26       | Uncollectibles expense                              | -                                     | -                                    | -                                       | -                                  |
| 27       | Regulatory commission expense                       | -                                     | -                                    | -                                       | -                                  |
| 28       | Property insurance                                  | -                                     | -                                    | -                                       | -                                  |
| 29       | Injuries and damages for corp                       | -                                     | -                                    | -                                       | -                                  |
| 30       | Other O&M expense                                   | -                                     | (\$107)                              | (\$354)                                 | -                                  |
| 31       | Remove non-fuel rider costs and update fuel         | -                                     | -                                    | -                                       | -                                  |
| 32       | Adjust for hydro station transfer                   | -                                     | -                                    | -                                       | -                                  |
| 33       | Adjust for inflation                                | -                                     | -                                    | -                                       | -                                  |
| 34       | Adjust for approved reg assets and liabilities      | -                                     | -                                    | -                                       | -                                  |
| 35       | Adjust for severance                                | -                                     | -                                    | -                                       | -                                  |
| 36       | Adjust vegetation management, storm, & outside svcs | (2,079)                               | -                                    | -                                       | -                                  |
| 37       | Adjust NC regulatory fee                            | -                                     | -                                    | -                                       | -                                  |
| 38       | Adjust other revenues                               | -                                     | -                                    | -                                       | -                                  |
| 39       | Total O&M expenses                                  | (2,079)                               | (107)                                | (354)                                   | -                                  |
| 40       | Depreciation expense                                | -                                     | -                                    | -                                       | (\$24,588)                         |
| 41       | REPS rider NC amortization expense                  | -                                     | -                                    | -                                       | -                                  |
| 42       | Annual NOx proceeds                                 | -                                     | -                                    | -                                       | -                                  |
| 43       | Other amortization expense                          | -                                     | -                                    | -                                       | -                                  |
| 44       | Remove non-fuel rider costs                         | -                                     | -                                    | -                                       | -                                  |
| 45       | Depreciation and amortization expense               | -                                     | -                                    | -                                       | (24,588)                           |
| 46       | Other taxes - NC property tax                       | -                                     | -                                    | -                                       | -                                  |
| 47       | Other taxes - NC franchise & deferred prop. tax     | -                                     | -                                    | -                                       | -                                  |
| 48       | Other taxes - NC state unemployment tax             | -                                     | -                                    | -                                       | -                                  |
| 49       | Other taxes - NC industrial comm - electric         | -                                     | -                                    | -                                       | -                                  |
| 50       | Other taxes - SC property tax                       | -                                     | -                                    | -                                       | -                                  |
| 51       | Other taxes - SC property tax - license fee         | -                                     | -                                    | -                                       | -                                  |
| 52       | Other taxes - NC franchise tax                      | -                                     | -                                    | -                                       | -                                  |
| 53       | Other taxes - SC state unemployment tax             | -                                     | -                                    | -                                       | -                                  |
| 54       | Other taxes - federal payroll taxes                 | -                                     | -                                    | -                                       | -                                  |
| 55       | Other taxes - federal unemployment tax              | -                                     | -                                    | -                                       | -                                  |
| 56       | Other taxes - federal highway use tax               | -                                     | -                                    | -                                       | -                                  |
| 57       | Other taxes   | -                                     | -                                    | -                                       | -                                  |
| 58       | Adjust payroll taxes                                | (24)                                  | -                                    | -                                       | -                                  |
| 59       | Total taxes other than income                       | (24)                                  | -                                    | -                                       | -                                  |
| 60       | Interest on customer deposits                       | -                                     | -                                    | -                                       | -                                  |
| 61       | Current state and federal income tax                | -                                     | -                                    | -                                       | -                                  |
| 62       | Deferred income taxes                               | -                                     | -                                    | -                                       | -                                  |
| 63       | Adjust income taxes                                 | 491                                   | 25                                   | 83                                      | 5,741                              |
| 64       | Total income taxes                                  | 491                                   | 25                                   | 83                                      | 5,741                              |
| 65       | Amortization of ITC                                 | -                                     | -                                    | -                                       | -                                  |
| 66       | Total electric operating expenses                   | (1,612)                               | (82)                                 | (271)                                   | (18,847)                           |
| 67       | Interest expense                                    | -                                     | -                                    | -                                       | -                                  |
| 68       | Income available for common equity (L39 -L66 - L67) | 1,612                                 | 82                                   | 271                                     | 18,847                             |
| 69       | Net operating income for return                     | 1,612                                 | 82                                   | 271                                     | 18,847                             |
| 70       | Total requirement                                   | \$0                                   | \$0                                  | \$0                                     | \$0                                |

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**PUBLIC STAFF ADJUSTMENTS TO BE**  
**REFLECTED IN LEAD / LAG CALCULATION**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(d)(1)**  
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| Line No. | Item  | Adjust<br>Lobbying<br>Expense<br>(o) | Adjust<br>Board of<br>Directors<br>Expense<br>(p) | Adjust<br>Deferred<br>Environmental<br>Costs<br>(q) | Adjust<br>Outside<br>Services<br>(r) | Adjust<br>Sponsorships<br>and<br>Donations<br>(s) |
|----------|---|--------------------------------------|---|---|--------------------------------------|---|
| 1        | Electric operating revenues:                        |                                      |   |   |                                      |   |
| 2        | Rate revenues                                       | \$0                                  | \$0   | \$0   | \$0                                  | \$0   |
| 3        | Sales for resale revenues                           | -                                    | -   | -   | -                                    | -   |
| 4        | Forfeited discounts                                 | -                                    | -   | -   | -                                    | -   |
| 5        | Miscellaneous service revenues                      | -                                    | -   | -   | -                                    | -   |
| 6        | Rent revenues - extra facilities - depreciation     | -                                    | -   | -   | -                                    | -   |
| 7        | Rent revenues - extra facilities - other            | -                                    | -   | -   | -                                    | -   |
| 8        | Rent revenues - pole & line attachments             | -                                    | -   | -   | -                                    | -   |
| 9        | Tower lease revenues                                | -                                    | -   | -   | -                                    | -   |
| 10       | Other electric rents                                | -                                    | -   | -   | -                                    | -   |
| 11       | Return & depr - Catawba general plant               | -                                    | -   | -   | -                                    | -   |
| 12       | Other misc revenues - CIAC & comp for svc           | -                                    | -   | -   | -                                    | -   |
| 13       | Other misc revenues - timber sales                  | -                                    | -   | -   | -                                    | -   |
| 14       | Profit or loss on sale of M&S                       | -                                    | -   | -   | -                                    | -   |
| 15       | Deferred DSM costs - NC                             | -                                    | -   | -   | -                                    | -   |
| 16       | Other revenue affiliate                             | -                                    | -   | -   | -                                    | -   |
| 17       | Revenues from transm of electricity to others       | -                                    | -   | -   | -                                    | -   |
| 18       | Other electric revenues                             | -                                    | -   | -   | -                                    | -   |
| 19       | Electric operating revenues                         | -                                    | -   | -   | -                                    | -   |
| 20       | Fuel used in electric generation                    | -                                    | -   | -   | -                                    | -   |
| 21       | Account 555 - Purchased Power                       | -                                    | -   | -   | -                                    | -   |
| 22       | NRC license fees in Acct 524                        | -                                    | -   | -   | -                                    | -   |
| 23       | NRC inspection fees in Acct 524                     | -                                    | -   | -   | -                                    | -   |
| 24       | Labor expense                                       | (2,249)                              | -   | -   | -                                    | -   |
| 25       | Benefits expense                                    | -                                    | -   | -   | -                                    | -   |
| 26       | Uncollectibles expense                              | -                                    | -   | -   | -                                    | -   |
| 27       | Regulatory commission expense                       | -                                    | -   | -   | -                                    | -   |
| 28       | Property insurance                                  | -                                    | -   | -   | -                                    | -   |
| 29       | Injuries and damages for corp                       | -                                    | -   | -   | -                                    | -   |
| 30       | Other O&M expense                                   | -                                    | (1,885)   | -   | -                                    | (268)   |
| 31       | Remove non-fuel rider costs and update fuel         | -                                    | -   | -   | -                                    | -   |
| 32       | Adjust for hydro station transfer                   | -                                    | -   | -   | -                                    | -   |
| 33       | Adjust for inflation                                | -                                    | -   | -   | -                                    | -   |
| 34       | Adjust for approved reg assets and liabilities      | -                                    | -   | -   | -                                    | -   |
| 35       | Adjust for severance                                | -                                    | -   | -   | -                                    | -   |
| 36       | Adjust vegetation management, storm, & outside svcs | -                                    | -   | -   | (527)                                | -   |
| 37       | Adjust NC regulatory fee                            | -                                    | -   | -   | -                                    | -   |
| 38       | Adjust other revenues                               | -                                    | -   | -   | -                                    | -   |
| 39       | Total O&M expenses                                  | (2,249)                              | (1,885)   | -   | (527)                                | (268)   |
| 40       | Depreciation expense                                | -                                    | -   | (66,775)  | -                                    | -   |
| 41       | REPS rider NC amortization expense                  | -                                    | -   | -   | -                                    | -   |
| 42       | Annual NOx proceeds                                 | -                                    | -   | -   | -                                    | -   |
| 43       | Other amortization expense                          | -                                    | -   | -   | -                                    | -   |
| 44       | Remove non-fuel rider costs                         | -                                    | -   | -   | -                                    | -   |
| 45       | Depreciation and amortization expense               | -                                    | -   | (66,775)  | -                                    | -   |
| 46       | Other taxes - NC property tax                       | -                                    | -   | -   | -                                    | -   |
| 47       | Other taxes - NC franchise & deferred prop. tax     | -                                    | -   | -   | -                                    | -   |
| 48       | Other taxes - NC state unemployment tax             | -                                    | -   | -   | -                                    | -   |
| 49       | Other taxes - NC industrial comm - electric         | -                                    | -   | -   | -                                    | -   |
| 50       | Other taxes - SC property tax                       | -                                    | -   | -   | -                                    | -   |
| 51       | Other taxes - SC property tax - license fee         | -                                    | -   | -   | -                                    | -   |
| 52       | Other taxes - NC franchise tax                      | -                                    | -   | -   | -                                    | -   |
| 53       | Other taxes - SC state unemployment tax             | -                                    | -   | -   | -                                    | -   |
| 54       | Other taxes - federal payroll taxes                 | -                                    | -   | -   | -                                    | -   |
| 55       | Other taxes - federal unemployment tax              | -                                    | -   | -   | -                                    | -   |
| 56       | Other taxes - federal highway use tax               | -                                    | -   | -   | -                                    | -   |
| 57       | Other taxes   | -                                    | -   | -   | -                                    | -   |
| 58       | Adjust payroll taxes                                | -                                    | -   | -   | -                                    | -   |
| 59       | Total taxes other than income                       | -                                    | -   | -   | -                                    | -   |
| 60       | Interest on customer deposits                       | -                                    | -   | -   | -                                    | -   |
| 61       | Current state and federal income tax                | -                                    | -   | -   | -                                    | -   |
| 62       | Deferred income taxes                               | -                                    | -   | -   | -                                    | -   |
| 63       | Adjust income taxes                                 | 525                                  | 440   | 15,592  | 123                                  | 63  |
| 64       | Total income taxes                                  | 525                                  | 440   | 15,592  | 123                                  | 63  |
| 65       | Amortization of ITC                                 | -                                    | -   | -   | -                                    | -   |
| 66       | Total electric operating expenses                   | (1,724)                              | (1,445)   | (51,183)  | (404)                                | (205)   |
| 67       | Interest expense                                    | -                                    | -   | -   | -                                    | -   |
| 68       | Income available for common equity (L39 -L66 - L67) | 1,724                                | 1,445   | 51,183  | 404                                  | 205   |
| 69       | Net operating income for return                     | 1,724                                | 1,445   | 51,183  | 404                                  | 205   |
| 70       | Total requirement                                   | \$0                                  | \$0   | \$0   | \$0                                  | \$0   |

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations  
PUBLIC STAFF ADJUSTMENTS TO BE  
REFLECTED IN LEAD / LAG CALCULATION  
For the Test Year Ended December 31, 2018  
(in Thousands)

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| Line No. | Item  | Adjust Storm Normalization 1/ (t) | Adjust O&M related to Retired Hydro Units 1/ (u) | Adjust Rate Case Expense 1/ (v) | Adjust Severances 1/ (w) | Include Flowback of Protected EDIT due to Tax Cuts & Jobs Act 1/ (x) |
|----------|---|-----------------------------------|--|---------------------------------|--------------------------|--|
| 1        | Electric operating revenues:                        |                                   |  |                                 |                          |  |
| 2        | Rate revenues                                       | \$0                               | \$0  | \$0                             | \$0                      | \$0  |
| 3        | Sales for resale revenues                           | -                                 | -  | -                               | -                        | -  |
| 4        | Forfeited discounts                                 | -                                 | -  | -                               | -                        | -  |
| 5        | Miscellaneous service revenues                      | -                                 | -  | -                               | -                        | -  |
| 6        | Rent revenues - extra facilities - depreciation     | -                                 | -  | -                               | -                        | -  |
| 7        | Rent revenues - extra facilities - other            | -                                 | -  | -                               | -                        | -  |
| 8        | Rent revenues - pole & line attachments             | -                                 | -  | -                               | -                        | -  |
| 9        | Tower lease revenues                                | -                                 | -  | -                               | -                        | -  |
| 10       | Other electric rents                                | -                                 | -  | -                               | -                        | -  |
| 11       | Return & depr - Catawba general plant               | -                                 | -  | -                               | -                        | -  |
| 12       | Other misc revenues - CIAC & comp for svc           | -                                 | -  | -                               | -                        | -  |
| 13       | Other misc revenues - timber sales                  | -                                 | -  | -                               | -                        | -  |
| 14       | Profit or loss on sale of M&S                       | -                                 | -  | -                               | -                        | -  |
| 15       | Deferred DSM costs - NC                             | -                                 | -  | -                               | -                        | -  |
| 16       | Other revenue affiliate                             | -                                 | -  | -                               | -                        | -  |
| 17       | Revenues from transm of electricity to others       | -                                 | -  | -                               | -                        | -  |
| 18       | Other electric revenues                             | -                                 | -  | -                               | -                        | -  |
| 19       | Electric operating revenues                         | -                                 | -  | -                               | -                        | -  |
| 20       | Fuel used in electric generation                    | -                                 | -  | -                               | -                        | -  |
| 21       | Account 555 - Purchased Power                       | -                                 | -  | -                               | -                        | -  |
| 22       | NRC license fees in Acct 524                        | -                                 | -  | -                               | -                        | -  |
| 23       | NRC inspection fees in Acct 524                     | -                                 | -  | -                               | -                        | -  |
| 24       | Labor expense                                       | -                                 | -  | -                               | -                        | -  |
| 25       | Benefits expense                                    | -                                 | -  | -                               | -                        | -  |
| 26       | Uncollectibles expense                              | -                                 | -  | -                               | -                        | -  |
| 27       | Regulatory commission expense                       | -                                 | -  | -                               | -                        | -  |
| 28       | Property insurance                                  | -                                 | -  | -                               | -                        | -  |
| 29       | Injuries and damages for corp                       | -                                 | -  | -                               | -                        | -  |
| 30       | Other O&M expense                                   | 1,836                             | (100)  | (335)                           | (8,613)                  | -  |
| 31       | Remove non-fuel rider costs and update fuel         | -                                 | -  | -                               | -                        | -  |
| 32       | Adjust for hydro station transfer                   | -                                 | -  | -                               | -                        | -  |
| 33       | Adjust for inflation                                | -                                 | -  | -                               | -                        | -  |
| 34       | Adjust for approved reg assets and liabilities      | -                                 | -  | -                               | -                        | -  |
| 35       | Adjust for severance                                | -                                 | -  | -                               | -                        | -  |
| 36       | Adjust vegetation management, storm, & outside svcs | -                                 | -  | -                               | -                        | -  |
| 37       | Adjust NC regulatory fee                            | -                                 | -  | -                               | -                        | -  |
| 38       | Adjust other revenues                               | -                                 | -  | -                               | -                        | -  |
| 39       | Total O&M expenses                                  | 1,836                             | (100)  | (335)                           | (8,613)                  | -  |
| 40       | Depreciation expense                                | -                                 | -  | -                               | -                        | -  |
| 41       | REPS rider NC amortization expense                  | -                                 | -  | -                               | -                        | -  |
| 42       | Annual NOx proceeds                                 | -                                 | -  | -                               | -                        | -  |
| 43       | Other amortization expense                          | -                                 | -  | -                               | -                        | (\$30,969)   |
| 44       | Remove non-fuel rider costs                         | -                                 | -  | -                               | -                        | -  |
| 45       | Depreciation and amortization expense               | -                                 | -  | -                               | -                        | (30,969)   |
| 46       | Other taxes - NC property tax                       | -                                 | -  | -                               | -                        | -  |
| 47       | Other taxes - NC franchise & deferred prop. tax     | -                                 | -  | -                               | -                        | -  |
| 48       | Other taxes - NC state unemployment tax             | -                                 | -  | -                               | -                        | -  |
| 49       | Other taxes - NC industrial comm - electric         | -                                 | -  | -                               | -                        | -  |
| 50       | Other taxes - SC property tax                       | -                                 | -  | -                               | -                        | -  |
| 51       | Other taxes - SC property tax - license fee         | -                                 | -  | -                               | -                        | -  |
| 52       | Other taxes - NC franchise tax                      | -                                 | -  | -                               | -                        | -  |
| 53       | Other taxes - SC state unemployment tax             | -                                 | -  | -                               | -                        | -  |
| 54       | Other taxes - federal payroll taxes                 | -                                 | -  | -                               | -                        | -  |
| 55       | Other taxes - federal unemployment tax              | -                                 | -  | -                               | -                        | -  |
| 56       | Other taxes - federal highway use tax               | -                                 | -  | -                               | -                        | -  |
| 57       | Other taxes   | -                                 | -  | -                               | -                        | -  |
| 58       | Adjust payroll taxes                                | -                                 | -  | -                               | -                        | -  |
| 59       | Total taxes other than income                       | -                                 | -  | -                               | -                        | -  |
| 60       | Interest on customer deposits                       | -                                 | -  | -                               | -                        | -  |
| 61       | Current state and federal income tax                | -                                 | -  | -                               | -                        | -  |
| 62       | Deferred income taxes                               | -                                 | -  | -                               | -                        | -  |
| 63       | Adjust income taxes                                 | (429)                             | 23   | 78                              | 2,011                    | 7,231  |
| 64       | Total income taxes                                  | (429)                             | 23   | 78                              | 2,011                    | 7,231  |
| 65       | Amortization of ITC                                 | -                                 | -  | -                               | -                        | -  |
| 66       | Total electric operating expenses                   | 1,407                             | (77)   | (257)                           | (6,602)                  | (23,738)   |
| 67       | Interest expense                                    | -                                 | -  | -                               | -                        | -  |
| 68       | Income available for common equity (L39 -L66 - L67) | (1,407)                           | 77   | 257                             | 6,602                    | 23,738   |
| 69       | Net operating income for return                     | (1,407)                           | 77   | 257                             | 6,602                    | 23,738   |
| 70       | Total requirement                                   | \$0                               | \$0  | \$0                             | \$0                      | \$0  |

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**PUBLIC STAFF ADJUSTMENTS TO BE**  
**REFLECTED IN LEAD / LAG CALCULATION**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2-1(d)(1)**  
**Page 6 of 6**

| Line No. | Item  | Adjustment to Inflation Adjustment 1/ (y) | Remove Belews Creek 1/ (z) | Adjust Deferred Non-ARO Environmental Costs 1/ (aa) | Interest Synchronization 1/ (bb) | Total Public Staff Adjustments 1/ (cc) |
|----------|---|---|----------------------------|---|----------------------------------|--|
| 1        | Electric operating revenues:                        |   |                            |   |                                  |  |
| 2        | Rate revenues                                       | \$0                                       | \$0                        | \$0   | \$0                              | \$40,605                               |
| 3        | Sales for resale revenues                           | -   | -                          | -   | -                                | 0                                      |
| 4        | Forfeited discounts                                 | -   | -                          | -   | -                                | 0                                      |
| 5        | Miscellaneous service revenues                      | -   | -                          | -   | -                                | 0                                      |
| 6        | Rent revenues - extra facilities - depreciation     | -   | -                          | -   | -                                | 0                                      |
| 7        | Rent revenues - extra facilities - other            | -   | -                          | -   | -                                | 0                                      |
| 8        | Rent revenues - pole & line attachments             | -   | -                          | -   | -                                | 0                                      |
| 9        | Tower lease revenues                                | -   | -                          | -   | -                                | 0                                      |
| 10       | Other electric rents                                | -   | -                          | -   | -                                | 0                                      |
| 11       | Return & depr - Catawba general plant               | -   | -                          | -   | -                                | 0                                      |
| 12       | Other misc revenues - CIAC & comp for svc           | -   | -                          | -   | -                                | 0                                      |
| 13       | Other misc revenues - timber sales                  | -   | -                          | -   | -                                | 0                                      |
| 14       | Profit or loss on sale of M&S                       | -   | -                          | -   | -                                | 0                                      |
| 15       | Deferred DSM costs - NC                             | -   | -                          | -   | -                                | 0                                      |
| 16       | Other revenue affiliate                             | -   | -                          | -   | -                                | 0                                      |
| 17       | Revenues from transm of electricity to others       | -   | -                          | -   | -                                | 0                                      |
| 18       | Other electric revenues                             | -   | -                          | -   | -                                | 0                                      |
| 19       | Electric operating revenues                         | -   | -                          | -   | -                                | 40,605                                 |
| 20       | Fuel used in electric generation                    | -   | -                          | -   | -                                | (\$16,424)                             |
| 21       | Account 555 - Purchased Power                       | -   | -                          | -   | -                                | -                                      |
| 22       | NRC license fees in Acct 524                        | -   | -                          | -   | -                                | -                                      |
| 23       | NRC inspection fees in Acct 524                     | -   | -                          | -   | -                                | -                                      |
| 24       | Labor expense                                       | -   | -                          | -   | -                                | (25,536)                               |
| 25       | Benefits expense                                    | -   | -                          | -   | -                                | -                                      |
| 26       | Uncollectibles expense                              | -   | -                          | -   | -                                | -                                      |
| 27       | Regulatory commission expense                       | -   | -                          | -   | -                                | -                                      |
| 28       | Property insurance                                  | -   | -                          | -   | -                                | -                                      |
| 29       | Injuries and damages for corp                       | -   | -                          | -   | -                                | -                                      |
| 30       | Other O&M expense                                   | -   | -                          | -   | -                                | (7,362)                                |
| 31       | Remove non-fuel rider costs and update fuel         | -   | -                          | -   | -                                | -                                      |
| 32       | Adjust for hydro station transfer                   | -   | -                          | -   | -                                | -                                      |
| 33       | Adjust for inflation                                | 4,285                                     | -                          | -   | -                                | 4,285                                  |
| 34       | Adjust for approved reg assets and liabilities      | -   | -                          | -   | -                                | -                                      |
| 35       | Adjust for severance                                | -   | -                          | -   | -                                | -                                      |
| 36       | Adjust vegetation management, storm, & outside svcs | -   | -                          | -   | -                                | (2,811)                                |
| 37       | Adjust NC regulatory fee                            | -   | -                          | -   | -                                | -                                      |
| 38       | Adjust other revenues                               | -   | -                          | -   | -                                | -                                      |
| 39       | Total O&M expenses                                  | 4,285                                     | -                          | -   | -                                | (47,847)                               |
| 40       | Depreciation expense                                | -   | (\$2,127)                  | (\$9,940)   | -                                | (145,319)                              |
| 41       | REPS rider NC amortization expense                  | -   | -                          | -   | -                                | -                                      |
| 42       | Annual NOx proceeds                                 | -   | -                          | -   | -                                | -                                      |
| 43       | Other amortization expense                          | -   | -                          | -   | -                                | (30,969)                               |
| 44       | Remove non-fuel rider costs                         | -   | -                          | -   | -                                | -                                      |
| 45       | Depreciation and amortization expense               | -   | (2,127)                    | (9,940)   | -                                | (176,288)                              |
| 46       | Other taxes - NC property tax                       | -   | -                          | -   | -                                | (8)                                    |
| 47       | Other taxes - NC franchise & deferred prop. tax     | -   | -                          | -   | -                                | -                                      |
| 48       | Other taxes - NC state unemployment tax             | -   | -                          | -   | -                                | -                                      |
| 49       | Other taxes - NC industrial comm - electric         | -   | -                          | -   | -                                | -                                      |
| 50       | Other taxes - SC property tax                       | -   | -                          | -   | -                                | -                                      |
| 51       | Other taxes - SC property tax - license fee         | -   | -                          | -   | -                                | -                                      |
| 52       | Other taxes - NC franchise tax                      | -   | -                          | -   | -                                | -                                      |
| 53       | Other taxes - SC state unemployment tax             | -   | -                          | -   | -                                | -                                      |
| 54       | Other taxes - federal payroll taxes                 | -   | -                          | -   | -                                | -                                      |
| 55       | Other taxes - federal unemployment tax              | -   | -                          | -   | -                                | -                                      |
| 56       | Other taxes - federal highway use tax               | -   | -                          | -   | -                                | -                                      |
| 57       | Other taxes   | -   | -                          | -   | -                                | -                                      |
| 58       | Adjust payroll taxes                                | -   | -                          | -   | -                                | (196)                                  |
| 59       | Total taxes other than income                       | -   | -                          | -   | -                                | (204)                                  |
| 60       | Interest on customer deposits                       | -   | -                          | -   | -                                | -                                      |
| 61       | Current state and federal income tax                | -   | -                          | -   | -                                | -                                      |
| 62       | Deferred income taxes                               | -   | -                          | -   | -                                | -                                      |
| 63       | Adjust income taxes                                 | (1,001)                                   | 497                        | 2,321   | (8,467)                          | 53,348                                 |
| 64       | Total income taxes                                  | (1,001)                                   | 497                        | 2,321   | (8,467)                          | 53,348                                 |
| 65       | Amortization of ITC                                 | -   | -                          | -   | -                                | -                                      |
| 66       | Total electric operating expenses                   | 3,284                                     | (1,630)                    | (7,619)   | (8,467)                          | (170,992)                              |
| 67       | Interest expense                                    | -   | -                          | -   | 36,262                           | 36,262                                 |
| 68       | Income available for common equity (L39 -L66 - L67) | (3,284)                                   | 1,630                      | 7,619   | (27,795)                         | 175,335                                |
| 69       | Net operating income for return                     | (3,284)                                   | 1,630                      | 7,619   | 8,467                            | 211,597                                |
| 70       | Total requirement                                   | \$0                                       | \$0                        | \$0   | \$0                              | \$40,605                               |

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E 7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF WORKING CAPITAL**  
**FROM LEAD / LAG STUDY AFTER RATE**  
**DECREASE**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 2 1(e)**  
**Page 1 of 2**

For the Test Year Ended December 31, 2018  
 (in Thousands)

| Line No. | Item  | Under                              | (Lead)      | Iteration 1 |                   |                |
|----------|---|------------------------------------|-------------|-------------|-------------------|----------------|
|          |   | Present Rates After Adjustments 1/ | Lag Days 2/ | Increase    | With Increase 11/ | CWC Change 13/ |
|          |   | (a)                                | (b)         | (c)         | (d)               | (e)            |
| 1        | Electric operating revenues                     |                                    |             |             |                   |                |
| 2        | Rate revenues                                   | \$4,610,269                        | 39.58       | \$63,894 5/ | \$4,674,163       | \$6,929        |
| 3        | Sales for resale revenues                       | 61,600                             | 35.44       | -           | 61,600            | -              |
| 4        | Forfeited discounts                             | 15,256                             | 70.00       | -           | 15,256            | -              |
| 5        | Miscellaneous service revenues                  | 9,541                              | 76.00       | - 6/        | 9,541             | -              |
| 6        | Rent revenues - extra facilities - depreciation | -                                  | -           | -           | -                 | -              |
| 7        | Rent revenues - extra facilities - other        | 25,058                             | 30.13       | -           | 25,058            | -              |
| 8        | Rent revenues - pole & line attachments         | 27,655                             | 143.39      | -           | 27,655            | -              |
| 9        | Tower lease revenues                            | 6,161                              | (93.97)     | -           | 6,161             | -              |
| 10       | Other electric rents                            | 3,060                              | 45.21       | -           | 3,060             | -              |
| 11       | Return & depr - Catawba general plant           | 11,264                             | (15.21)     | -           | 11,264            | -              |
| 12       | Other misc revenues - CIAC & comp for svc       | 13,227                             | (15.21)     | -           | 13,227            | -              |
| 13       | Other misc revenues - timber sales              | 3                                  | -           | -           | 3                 | -              |
| 14       | Profit or loss on sale of M&S                   | 1                                  | -           | -           | 1                 | -              |
| 15       | Deferred DSM costs - NC                         | (377)                              | -           | -           | (377)             | -              |
| 16       | Other revenue affiliate                         | 8,729                              | 40.21       | -           | 8,729             | -              |
| 17       | Revenues from transm of electricity to others   | 5,032                              | 40.41       | -           | 5,032             | -              |
| 18       | Other electric revenues                         | 3,639                              | 36.03       | -           | 3,639             | -              |
| 19       | Electric operating revenues                     | 4 802 034                          |             | 63 894 7/   | 4 865 928         | 6 929          |
| 20       | Fuel used in electric generation                | 1,141,804                          | (22.33)     | -           | 1,141,804         | -              |
| 21       | Account 555 - Purchased Power                   | 160,458                            | (39.00)     | -           | 160,458           | -              |
| 22       | Retail Deferred Fuel Exp - NCR                  | (137,046)                          | (22.33)     | -           | (137,046)         | -              |
| 23       | NRC license fees in Acct 524                    | -                                  | -           | -           | -                 | -              |
| 24       | NRC inspection fees in Acct 524                 | -                                  | -           | -           | -                 | -              |
| 25       | Labor expense                                   | 518,425                            | (36.37)     | -           | 518,425           | -              |
| 26       | Benefits expense                                | 67,588                             | (12.21)     | -           | 67,588            | -              |
| 27       | Uncollectibles expense                          | -                                  | -           | -           | -                 | -              |
| 28       | Regulatory commission expense                   | 8,163                              | (89.82)     | -           | 8,163             | -              |
| 29       | Property insurance                              | 1,625                              | 474.55      | -           | 1,625             | -              |
| 30       | Injuries and damages for corp                   | 145.50                             | -           | -           | 5,274             | -              |
| 31       | Other O&M expense                               | 713,467                            | (36.49)     | -           | 713,467           | -              |
| 32       | Remove non-fuel rider costs and update fuel     | (139,240)                          | (33.90)     | -           | (139,240)         | -              |
| 33       | Adjust for hydro station transfer               | (1,560)                            | (33.90)     | -           | (1,560)           | -              |
| 34       | Adjust for inflation                            | 6,916                              | (30.71)     | -           | 6,916             | -              |
| 35       | Adjust for approved reg assets and liabilities  | 1,408                              | -           | -           | 1,408             | -              |
| 36       | Adjust for severance                            | (46,208)                           | (36.37)     | -           | (46,208)          | -              |
| 37       | Adjust vegetation management, storm, & outsi    | 4,928                              | (36.49)     | -           | 4,928             | -              |
| 38       | Adjust for credit card fees                     | 8,774                              | (36.49)     | -           | 8,774             | -              |
| 39       | Adjust for nuclear refueling outage costs       | (2,138)                            | (36.49)     | -           | (2,138)           | -              |
| 40       | Adjust for merger related costs                 | (5,530)                            | (33.90)     | -           | (5,530)           | -              |
| 41       | Annualize retail revenues for current rates     | (826)                              | (33.90)     | -           | (826)             | -              |
| 42       | Normalize for weather                           | (416)                              | (33.90)     | -           | (416)             | -              |
| 43       | Annualize revenues for customer growth          | 39                                 | (33.90)     | -           | 39                | -              |
| 44       | Amortize rate case costs                        | 801                                | -           | -           | 801               | -              |
| 45       | Adjust aviation expense                         | (1,986)                            | (33.90)     | -           | (1,986)           | -              |
| 46       | Adjust NC regulatory fee                        | (500)                              | (89.82)     | -           | (500)             | -              |
| 47       | Adjust other revenues                           | (36)                               | (33.90)     | -           | (36)              | -              |
| 48       | Other adjustments to reg fees and uncoll.       | -                                  | -           | 242 8/      | 242               | -              |
| 49       | Total O&M expenses                              | 2,304,184                          |             | 242         | 2,304,184         | -              |
| 50       |   |                                    |             |             |                   |                |
| 51       | Depreciation expense                            | 1,051,816                          | -           | -           | 1,051,816         | -              |
| 52       | REPS rider NC amortization expense              | -                                  | -           | -           | -                 | -              |
| 53       | Annual NOx proceeds                             | -                                  | -           | -           | -                 | -              |
| 54       | Other amortization expense                      | (30,969)                           | -           | -           | (30,969)          | -              |
| 55       | Remove non-fuel rider costs                     | -                                  | -           | -           | -                 | -              |
| 56       | Depreciation and amortization expense           | 1 020 847                          |             |             | 1 020 847         |                |
| 57       | Other taxes - NC property tax                   | 94,890                             | (186.50)    | -           | 94,890            | -              |
| 58       | Other taxes - NC franchise & deferred prop. ta  | -                                  | -           | -           | -                 | -              |
| 59       | Other taxes - NC state unemployment tax         | -                                  | -           | -           | -                 | -              |
| 60       | Other taxes - NC industrial comm - electric     | -                                  | -           | -           | -                 | -              |
| 61       | Other taxes - SC property tax                   | 81,208                             | (196.50)    | -           | 81,208            | -              |
| 62       | Other taxes - SC property tax - license fee     | -                                  | -           | -           | -                 | -              |
| 63       | Other taxes - NC franchise tax                  | -                                  | -           | -           | -                 | -              |
| 64       | Other taxes - SC state unemployment tax         | -                                  | -           | -           | -                 | -              |
| 65       | Other taxes - federal payroll taxes             | 34,411                             | (51.17)     | -           | 34,411            | -              |
| 66       | Other taxes - federal unemployment tax          | -                                  | -           | -           | -                 | -              |
| 67       | Other taxes - federal highway use tax           | -                                  | -           | -           | -                 | -              |
| 68       | Other taxes                                     | (1,741)                            | (21.04)     | -           | (1,741)           | -              |
| 69       | Adjust payroll taxes                            | (1,458)                            | -           | -           | (1,458)           | -              |
| 70       | Current state and federal income tax            | 207,310                            | -           | -           | 207,310           | -              |
| 71       | Interest on customer deposits                   | 7,130                              | (218.40)    | -           | 7,130             | -              |
| 72       | Current state and federal income tax            | 2,397                              | (44.75)     | -           | 2,397             | -              |
| 73       | Deferred income taxes                           | 162,580                            | -           | -           | 162,580           | -              |
| 74       | Adjust income taxes                             | 53,348                             | -           | 14,863 9/   | 68,211            | -              |
| 75       | Total income taxes                              | 218,325                            |             | 14 863      | 233 188           |                |
| 76       | Amortization of ITC                             | (2,836)                            | -           | -           | (2,836)           | -              |
| 77       | Total electric operating expenses               | 3,754,960                          |             | 15,105      | 3,769,823         |                |
| 78       | Interest expense                                | 364,509                            | -           | -           | 364,509           | -              |
| 79       | Income available for common equity              | 682,565                            | -           | 48,789 10/  | 731,354 12/       | -              |
| 80       | Net operating income for return                 | 1,047,074                          |             | 48,789      | 1,095,863         |                |
| 81       | Total requirement                               | \$4 802 034                        |             | \$63 894    | \$4 865 685       | \$0            |
| 82       | Cumulative change in working capital            |                                    |             |             |                   | \$6,929        |
| 83       | Rate base under present rates                   |                                    |             |             |                   | 16,252,317     |
| 84       | Rate base after rate increase                   | \$16 252 317 2/                    |             |             |                   | \$16 259 246   |
| 85       | Overall rate of return                          | 6.44%                              |             |             |                   | 6.74%          |
| 86       | Target rate of return                           | 6.76% 3/                           |             |             |                   | 6.76% 3/       |

1/ Boswell Exhibit 1, Schedule 2-1(d), Column (e).  
 2/ Boswell Exhibit 1, Schedule 2, Line 13, Column (c).  
 3/ Boswell Exhibit 1, Schedule 4, Line 3, Column (h).  
 4/ Boswell Exhibit 1, Schedule 2-1(d), Column (f).  
 5/ Line 19 minus (Sum of Line 3 thru Line 18).  
 6/ Boswell Exhibit 1, Schedule 3, Line 3, Column (d).  
 7/ Line 79 divided by retention factor of 0.7635890.  
 8/ Line 19 times (uncollectibles rate of 0.25010% plus regulatory fee rate, net of uncollectibles, of 0.12935%).  
 9/ (Line 79 divided by (1 minus 23.3503%)) minus Line 79.  
 10/ Column (d) minus Column (a).  
 11/ Column (a) plus Column (c), unless footnoted otherwise.  
 12/ Line 84, Column (a) times 50.000% times 9.000%.  
 13/ Column (c) divided by 365 days times Column (b).

DUKE ENERGY CAROLINAS, LLC  
 Docket No. E 7, Subs 1213 and 1214  
 North Carolina Retail Operations  
 CALCULATION OF WORKING CAPITAL  
 FROM LEAD / LAG STUDY AFTER RATE  
 INCREASE  
 For the Test Year Ended December 31, 2018  
 (in Thousands)

Public Staff  
 Boswell Exhibit 1  
 Schedule 2 1(e)  
 Page 2 of 2

| Line No. | Item  | Iteration 2  |                   |                | Iteration 3  |                   |                |
|----------|---|--------------|-------------------|----------------|--------------|-------------------|----------------|
|          |   | Increase (f) | With Increase (g) | CWC Change (h) | Increase (i) | With Increase (j) | CWC Change (k) |
| 1        | Electric operating revenues                     |              |                   |                |              |                   |                |
| 2        | Rate revenues                                   | \$2,302      | \$4,676,465       | \$250          | \$20         | \$4,676,485       | \$2            |
| 3        | Sales for resale revenues                       | -            | 61,600            | -              | -            | 61,600            | -              |
| 4        | Forfeited discounts                             | -            | 15,256            | -              | -            | 15,256            | -              |
| 5        | Miscellaneous service revenues                  | -            | 9,541             | -              | -            | 9,541             | -              |
| 6        | Rent revenues - extra facilities - depreciation | -            | -                 | -              | -            | -                 | -              |
| 7        | Rent revenues - extra facilities - other        | -            | 25,058            | -              | -            | 25,058            | -              |
| 8        | Rent revenues - pole & line attachments         | -            | 27,655            | -              | -            | 27,655            | -              |
| 9        | Tower lease revenues                            | -            | 6,161             | -              | -            | 6,161             | -              |
| 10       | Other electric rents                            | -            | 3,060             | -              | -            | 3,060             | -              |
| 11       | Return & depr - Catawba general plant           | -            | 11,264            | -              | -            | 11,264            | -              |
| 12       | Other misc revenues - CIAC & comp for svc       | -            | 13,227            | -              | -            | 13,227            | -              |
| 13       | Other misc revenues - timber sales              | -            | 3                 | -              | -            | 3                 | -              |
| 14       | Profit or loss on sale of M&S                   | -            | 1                 | -              | -            | 1                 | -              |
| 15       | Deferred DSM costs - NC                         | -            | (377)             | -              | -            | (377)             | -              |
| 16       | Other revenue affiliate                         | -            | 8,729             | -              | -            | 8,729             | -              |
| 17       | Revenues from transm of electricity to others   | -            | 5,032             | -              | -            | 5,032             | -              |
| 18       | Other electric revenues                         | -            | 3,639             | -              | -            | 3,639             | -              |
| 19       | Electric operating revenues                     | 2,302        | 4,868,230         | 250            | 20           | 4,868,250         | 2              |
| 20       | Fuel used in electric generation                | -            | 1,141,804         | -              | -            | 1,141,804         | -              |
| 21       | Account 555 - Purchased Power                   | -            | 160,458           | -              | -            | 160,458           | -              |
| 22       | Retail Deferred Fuel Exp - NCR                  | -            | (137,046)         | -              | -            | (137,046)         | -              |
| 23       | NRC license fees in Acct 524                    | -            | -                 | -              | -            | -                 | -              |
| 24       | NRC inspection fees in Acct 524                 | -            | -                 | -              | -            | -                 | -              |
| 25       | Labor expense                                   | -            | 518,425           | -              | -            | 518,425           | -              |
| 26       | Benefits expense                                | -            | 67,588            | -              | -            | 67,588            | -              |
| 27       | Uncollectibles expense                          | -            | -                 | -              | -            | -                 | -              |
| 28       | Regulatory commission expense                   | -            | 8,163             | -              | -            | 8,163             | -              |
| 29       | Property insurance                              | -            | 1,625             | -              | -            | 1,625             | -              |
| 30       | Injuries and damages for corp                   | -            | 5,274             | -              | -            | 5,274             | -              |
| 31       | Other O&M expense                               | -            | 713,467           | -              | -            | 713,467           | -              |
| 32       | Remove non-fuel rider costs and update fuel     | -            | (139,240)         | -              | -            | (139,240)         | -              |
| 33       | Adjust for hydro station transfer               | -            | (1,560)           | -              | -            | (1,560)           | -              |
| 34       | Adjust for inflation                            | -            | 6,916             | -              | -            | 6,916             | -              |
| 35       | Adjust for approved reg assets and liabilities  | -            | 1,408             | -              | -            | 1,408             | -              |
| 36       | Adjust for severance                            | -            | (46,208)          | -              | -            | (46,208)          | -              |
| 37       | Adjust vegetation management, storm, & outside  | -            | 4,928             | -              | -            | 4,928             | -              |
| 38       | Adjust for credit card fees                     | -            | 8,774             | -              | -            | 8,774             | -              |
| 39       | Adjust for nuclear refueling outage costs       | -            | (2,138)           | -              | -            | (2,138)           | -              |
| 40       | Adjust for merger related costs                 | -            | (5,530)           | -              | -            | (5,530)           | -              |
| 41       | Annualize retail revenues for current rates     | -            | (826)             | -              | -            | (826)             | -              |
| 42       | Normalize for weather                           | -            | (416)             | -              | -            | (416)             | -              |
| 43       | Annualize revenues for customer growth          | -            | 39                | -              | -            | 39                | -              |
| 44       | Amortize rate case costs                        | -            | 801               | -              | -            | 801               | -              |
| 45       | Adjust aviation expense                         | -            | (1,986)           | -              | -            | (1,986)           | -              |
| 46       | Adjust NC regulatory fee                        | -            | (500)             | -              | -            | (500)             | -              |
| 47       | Adjust other revenues                           | -            | (36)              | -              | -            | (36)              | -              |
| 48       | Other adjustments to reg fees and uncoll.       | 10           | 252               | -              | 0            | 252               | -              |
| 49       | Total O&M expenses                              | 10           | 2,304,184         | -              | 0            | 2,304,184         | -              |
| 50       | Depreciation expense                            | -            | 1,051,816         | -              | -            | 1,051,816         | -              |
| 51       | REPS rider NC amortization expense              | -            | -                 | -              | -            | -                 | -              |
| 52       | Annual NOx proceeds                             | -            | -                 | -              | -            | -                 | -              |
| 53       | Other amortization expense                      | -            | (30,969)          | -              | -            | (30,969)          | -              |
| 54       | Remove non-fuel rider costs                     | -            | -                 | -              | -            | -                 | -              |
| 55       | Depreciation and amortization expense           | -            | 1,020,847         | -              | -            | 1,020,847         | -              |
| 56       | Other taxes - NC property tax                   | -            | 94,890            | -              | -            | 94,890            | -              |
| 57       | Other taxes - NC franchise & deferred prop. tax | -            | -                 | -              | -            | -                 | -              |
| 58       | Other taxes - NC state unemployment tax         | -            | -                 | -              | -            | -                 | -              |
| 59       | Other taxes - NC industrial comm - electric     | -            | -                 | -              | -            | -                 | -              |
| 60       | Other taxes - SC property tax                   | -            | 81,208            | -              | -            | 81,208            | -              |
| 61       | Other taxes - SC property tax - license fee     | -            | -                 | -              | -            | -                 | -              |
| 62       | Other taxes - NC franchise tax                  | -            | -                 | -              | -            | -                 | -              |
| 63       | Other taxes - SC state unemployment tax         | -            | -                 | -              | -            | -                 | -              |
| 64       | Other taxes - federal payroll taxes             | -            | 34,411            | -              | -            | 34,411            | -              |
| 65       | Other taxes - federal unemployment tax          | -            | -                 | -              | -            | -                 | -              |
| 66       | Other taxes - federal highway use tax           | -            | -                 | -              | -            | -                 | -              |
| 67       | Other taxes                                     | -            | (1,741)           | -              | -            | (1,741)           | -              |
| 68       | Adjust payroll taxes                            | -            | (1,458)           | -              | -            | (1,458)           | -              |
| 69       | Current state and federal income tax            | -            | 207,310           | -              | -            | 207,310           | -              |
| 70       | Interest on customer deposits                   | -            | 7,130             | -              | -            | 7,130             | -              |
| 71       | Current state and federal income tax            | -            | 2,397             | -              | -            | 2,397             | -              |
| 72       | Deferred income taxes                           | -            | 162,580           | -              | -            | 162,580           | -              |
| 73       | Adjust income taxes                             | 95           | 68,306            | -              | 3            | 68,309            | -              |
| 74       | Total income taxes                              | 95           | 233,283           | -              | 3            | 233,287           | -              |
| 75       | Amortization of ITC                             | -            | (2,836)           | -              | -            | (2,836)           | -              |
| 76       | Total electric operating expenses               | 105          | 3,769,918         | -              | 3            | 3,769,921         | -              |
| 77       | Interest expense                                | 2,137        | 366,646           | -              | 6            | 366,652           | -              |
| 78       | Income available for common equity              | 312          | 731,666           | -              | 11           | 731,677           | -              |
| 79       | Net operating income for return                 | 2,449        | 1,098,312         | -              | 17           | 1,098,329         | -              |
| 80       | Total requirement                               | \$2,554      | \$4,868,230       | \$0            | \$20         | \$4,868,250       | \$0            |
| 81       | Cumulative change in working capital            |              |                   | \$7,179        |              |                   | \$7,181        |
| 82       | Rate base under present rates                   |              |                   | 16,252,317     |              |                   | 16,252,317     |
| 83       | Rate base after rate increase                   |              |                   | \$16,259,496   |              |                   | \$16,259,498   |
| 84       | Overall rate of return                          |              |                   | 6.75%          |              |                   | 6.75%          |
| 85       | Target rate of return                           |              |                   | 6.76% 3/       |              |                   | 6.76% 3/       |

14/ Column (g) minus Column (d).  
 15/ Column (d) plus Column (f), unless footnoted otherwise.  
 16/ Sum of Line 77 and Line 80.  
 17/ Line 84, Column (e) times 50.000% times 4.510%.  
 18/ Line 84, Column (e) times 50.000% times 9.000%.  
 19/ Column (f) divided by 365 days times Column (b).  
 20/ Column (j) minus Column (g).  
 21/ Column (g) plus Column (i), unless footnoted otherwise.  
 22/ Line 84, Column (h) times 50.000% times 4.510%.  
 23/ Line 84, Column (h) times 50.000% times 9.000%.  
 24/ Column (i) divided by 365 days times Column (b).

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations  
**ADJUSTMENT TO REMOVE BELEWS CREEK DFO COSTS**  
For the Test Year Ended December 31, 2018  
(in Thousands)

Public Staff  
Boswell Exhibit 1  
Schedule 2-1(f)

| Line No.                        | Item   | Amount            |
|---------------------------------|--|-------------------|
| <b>Plant in service</b>         |  |                   |
| 1                               | Adjustment to remove Belews Creek DFO plant - total system | (\$81,834) 1/     |
| 2                               | NC retail percentage                                       | 66.6526% 2/       |
| 3                               | Adjustment to plant in service - NC retail (L1 x L2)       | <u>(\$54,544)</u> |
| <b>Depreciation expense</b>     |  |                   |
| 4                               | Adjustment to plant in service - NC retail (L3)            | (\$54,544)        |
| 5                               | Depreciation rate recommended by Public Staff              | 3.90% 3/          |
| 6                               | Adjustment to depreciation expense - NC retail (L4 x L5)   | <u>(\$2,127)</u>  |
| <b>Accumulated depreciation</b> |  |                   |
| 7                               | Adjustment to accumulated depreciation (-L6)               | <u>\$2,127</u>    |

1/ Per Public Staff witness Metz.

2/ E-1, Item 45a, SWPA, All Production Plant allocation factor.

3/ Per Public Staff witness McCullar.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**SUMMARY OF REGULATORY ASSETS & LIABILITIES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhib**  
**Schedule 2-2**

| Line No. | Item  | NC Retail Adjusted Per Company <sup>1/</sup> | Public Staff Adjustments <sup>2/</sup> | NC Retail Adjusted Per Public Staff at TCP <sup>3/</sup> | Public Staff Adjustments due to change in allocation <sup>4/</sup> | NC Retail Adjusted Per Public Staff at SWPA |
|----------|---|--|--|--|--|---|
|          |   | (a)  | (b)                                    | (c)  | (d)  | (e)   |
| 1        | Required Bank Balance   | \$204  | \$0                                    | \$204  |  | \$204                                       |
| 2        | Pension Funding:  |  |  |  |  |   |
| 3        | 0182318 - Other Reg Assets - Gen Acct                             | 390,253                                      | 0                                      | 390,253  | (3,632)  | 386,621                                     |
| 4        | 0182801 - Pension Post Retire P Acctg - FAS87 NQ                  | 3,105  | -                                      | 3,105  | (29)   | 3,076                                       |
| 5        | 0254689 - Reg Liability - NQ                                      | -  | -                                      | -  | -  | -   |
| 6        | Overstatement by Company of per book amount                       | 1,047  | (1,005)                                | 42   |  |   |
| 7        | Injuries and Damages:   |  |  |  |  |   |
| 8        | 0186060 - I and D Insurance Receivable                            | 498,560                                      | 0                                      | 498,560  | (6,396)  | 492,164                                     |
| 9        | 0186090 - I&D O/S Svcs Receivable                                 | 85   | -                                      | 85   | (1)  | 84  |
| 10       | 0254120 - I and D Regulatory Liability                            | (22,617)                                     | -                                      | (22,617)   | 290  | (22,326)                                    |
| 11       | Overstatement by Company of per book amount                       | 1,529  | (1,529)                                | -  |  |   |
| 12       | Regulatory Assets & Liabilities - Tax:                            |  |  |  |  |   |
| 13       | 0254036 - Reg Liab - Excess Fed EDIT                              | (1,666,439)                                  | -                                      | (1,666,439)  |  | (1,666,439)                                 |
| 14       | 0254038 - Excess ADIT Grossup LT - NCR                            | (507,657)                                    | -                                      | (507,657)  |  | (507,657)                                   |
| 15       | 0254150 - Reg Liab - NC Tax Rate Change                           | (223,049)                                    | -                                      | (223,049)  |  | (223,049)                                   |
| 16       | 02541xx - Reg Liab - NC Tax Rate Change - EDIT Rider - NRB Offset | 188,711                                      | -                                      | 188,711  |  | 188,711                                     |
| 17       | Other:  |  |  |  |  |   |
| 18       | 0182320 - Regulatory Asset - Inc Tax                              | 315,947                                      | -                                      | 315,947  | (\$2,169)  | \$313,777                                   |
| 19       | 0182323 - Rate Case Cost NC CUR                                   | 982  | -                                      | 982  |  | 982   |
| 20       | 0182329 - Reg Asset Section 124 Asset                             | 1,197  | -                                      | 1,197  | (15)   | 1,182                                       |
| 21       | 0182359 - REPS Incremental Costs                                  | (2,741)                                      | -                                      | (2,741)  | 0  | (2,741)                                     |
| 22       | 0182374 - Duke Generated REC Certificate                          | 6,414  | -                                      | 6,414  |  | 6,414                                       |
| 23       | 0182381 - Save a Watt Reg Asset                                   | 115,589                                      | -                                      | 115,589  |  | 115,589                                     |
| 24       | 0182391 - NPL Extraordinary Repairs                               | 19   | -                                      | 19   | (0)  | 19  |
| 25       | 0182410 - Interest Rate Swap Reg Asset                            | 48,888                                       | -                                      | 48,888   | (336)  | 48,552                                      |
| 26       | 0182430 - Coal inventory Rider NC                                 | 92   | -                                      | 92   |  | 92  |
| 27       | 0182433 - Rate Case Cost NC LT                                    | 6,315  | -                                      | 6,315  |  | 6,315                                       |
| 28       | 0182438 - Billing System Deferral - Ltg                           | 656  | -                                      | 656  |  | 656   |
| 29       | 0182483 - Rotable Fleet Spare Reg Asset                           | 1,138  | -                                      | 1,138  | (15)   | 1,124                                       |
| 30       | 0182484 - NC Regulatory Fee                                       | 3,181  | -                                      | 3,181  |  | 3,181                                       |
| 31       | 0182506 - Spend RA Amortization (NC&MW)                           | 507,572                                      | -                                      | 507,572  |  | 507,572                                     |
| 32       | 0182525 - Non-AMI Meter NBV                                       | 66,567                                       | -                                      | 66,567   |  | 66,567                                      |
| 33       | 0182528 - CPRE Rider  | 446  | -                                      | 446  |  | 446   |
| 34       | 0182551 - COR Settlement  | 57,145                                       | -                                      | 57,145   |  | 57,145                                      |
| 35       | 0182560 - NC Solar Rebate Program Costs                           | 3,441  | -                                      | 3,441  |  | 3,441                                       |
| 36       | 0182563 - NC Solar Amort & Returns                                | 62   | -                                      | 62   |  | 62  |
| 37       | 0183000 - Prelim Survey and Investigation                         | 6,413  | -                                      | 6,413  | (81)   | 6,332                                       |
| 38       | 0186041 - Def Dr - Gas Actg                                       | 497  | -                                      | 497  | (6)  | 491   |
| 39       | 0186181 - COR Settlement - NC                                     | -  | -                                      | -  |  | -   |
| 40       | 0186195 - Deferred PEC Rate Case Expense - NCR                    | 1,661  | -                                      | 1,661  | 0  | 1,661                                       |
| 41       | 0186316 - Coal Ash Spend - NC Retail                              | -  | -                                      | -  |  | -   |
| 42       | 0186500 - Other Long Term Receivable                              | 9,676  | -                                      | 9,676  | (66)   | 9,610                                       |
| 43       | 0186910 - Deferred Benefit Plan - As                              | 8  | -                                      | 8  | (0)  | 8   |
| 44       | 0186998 - Fukushima Pooled Inventory Opt                          | 3,058  | -                                      | 3,058  | (39)   | 3,019                                       |
| 45       | 0253036 - JEA Option Agreement                                    | (5,058)                                      | -                                      | (5,058)  | 65   | (4,993)                                     |
| 46       | 02531xx - LT Def Rev OL - NCR                                     | (1,181)                                      | -                                      | (1,181)  |  | (1,181)                                     |
| 47       | 0253820 - Schm Deferred Benefit Plan - NPL                        | (8)  | -                                      | (8)  | 0  | (8)   |
| 48       | 0253890 - Schm Tax and S/L For Surplus Mat'ls                     | (443)  | -                                      | (443)  | 2  | (440)                                       |
| 49       | 0253905 - Deferred Debt Return - Solar                            | (6,083)                                      | -                                      | (6,083)  |  | (6,083)                                     |
| 50       | 0253910 - Pole Attach - Advance Billing                           | (41)   | -                                      | (41)   | 0  | (40)  |
| 51       | 0253920 - Other Deferred Credits                                  | (1,246)                                      | -                                      | (1,246)  | (7)  | (1,253)                                     |
| 52       | 0253990 - Deferred Prepaid Ef - Lighting - NCR                    | (13,346)                                     | -                                      | (13,346)   |  | (13,346)                                    |
| 53       | 0254002 - Interest Rate Swap Reg Liability                        | (12,471)                                     | -                                      | (12,471)   | 86   | (12,386)                                    |
| 54       | 0254021 - Nuclear Fuel Last Core Reserve                          | (52,717)                                     | -                                      | (52,717)   |  | (52,717)                                    |
| 55       | 0254022 - M and S Inventory Reserve PEC RC                        | (42,236)                                     | -                                      | (42,236)   |  | (42,236)                                    |
| 56       | 0254100 - Regulatory Liability - Inc Tax                          | (5,619)                                      | -                                      | (5,619)  | 39   | (5,580)                                     |
| 57       | 0254250 - NC REC Liability - Retail                               | (63,386)                                     | -                                      | (63,386)   |  | (63,386)                                    |
| 58       | 0254689 - Reg Liability - NQ                                      | (25,573)                                     | -                                      | (25,573)   | 238  | (25,335)                                    |
| 59       | 0254690 - OPEB regulatory liability                               | (42)   | (42)                                   | (84)   |  | (84)  |
| 60       | 0820000 - Fabricated Equipment                                    | 674  | -                                      | 674  | (0)  | 674   |
| 61       | Overstatement by Company of per book amount                       | (2,575)                                      | 2,575                                  | -  |  | -   |
| 62       | Approved Reg Assets and Liabilities                               | (139,897)                                    | -                                      | (139,897)  |  | (139,897)                                   |
| 63       | Severance   | 46,113                                       | (\$46,113)                             | -  |  | -   |
| 64       | Hydro Station Sale  | 19,280                                       | 2,048                                  | 21,328   |  | 21,328                                      |
| 65       | Storm Deferral  | 169,251                                      | (\$169,251)                            | -  |  | -   |
| 66       | Rate case   | 3,080  | (\$3,080)                              | -  |  | -   |
| 67       | Deferred environmental costs                                      | 383,653                                      | (304,491)                              | 79,162   |  | 79,162                                      |
| 68       | Deferred non-ARO environmental costs                              | -  | \$9,500                                | 9,500  |  | 9,500                                       |
| 69       | Plant in Service  | (4,945)                                      | -                                      | (4,945)  |  | (4,945)                                     |
| 70       | Non-fuel rider  | (19,404)                                     | -                                      | (19,404)   |  | (19,404)                                    |
| 71       | Rounding  | -  | -                                      | -  |  | -   |
| 72       | Total Regulatory Assets and Liabilities                           | \$43,737                                     | (\$511,387)                            | (\$467,650)  | (\$12,074)   | (\$489,266)                                 |

1/ Based on review of Company Item 10 workpapers, and Company response to DR 165.  
2/ Based on adjustments recommended by Public Staff.  
3/ Column (a) plus Column (b).  
4/ Company responses to DR165, allocated on SWPA factors.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**NET OPERATING INCOME FOR RETURN**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3**

| Line No. | Item   | Under Present Rates                          |  |  | After Public Staff                               |                                   |
|----------|--|--|--|--|--|-----------------------------------|
|          |  | NC Retail Adjusted Per Company <sup>1/</sup> | Public Staff Adjustments <sup>2/</sup> | After Public Staff Adjustments <sup>3/</sup> | Recommended Decrease Rate Decrease <sup>4/</sup> | After Rate Decrease <sup>8/</sup> |
|          |  | (a)  | (b)                                    | (c)  | (d)  | (e)                               |
| 1        | Electric operating revenues:                           |  |  |  |  |                                   |
| 2        | Sales of electricity                                   | \$4,726,373                                  | \$40,605                               | \$4,766,978                                  | \$66,536 <sup>4/</sup>                           | \$4,833,514                       |
| 3        | Other revenues   | 35,051                                       | -                                      | -  |  | -                                 |
| 4        | Electric operating revenues (L2 + L3)                  | \$4,761,424                                  | 40,605                                 | 4,802,029                                    | 66,536 <sup>5/</sup>                             | 4,868,565                         |
| 5        | Electric operating expenses:                           |  |  |  |  |                                   |
| 6        | Operations and maintenance:                            |  |  |  |  |                                   |
| 7        | Fuel used in electric generation                       | 1,158,228                                    | (16,424)                               | 1,141,804                                    | -  | 1,141,804                         |
| 8        | Purchased power  | 23,412                                       | -                                      | 23,412                                       | -  | 23,412                            |
| 9        | Other operations and maintenance expenses              | 1,170,392                                    | (31,423)                               | 1,138,969                                    | 252 <sup>6/</sup>                                | 1,139,221                         |
| 10       | Depreciation and amortization                          | 1,197,135                                    | (145,319)                              | 1,051,816                                    | -  | 1,051,816                         |
| 11       | General taxes  | 207,513                                      | (204)                                  | 207,309                                      | -  | 207,309                           |
| 12       | Interest on customer deposits                          | 7,130  | -                                      | 7,130  | -  | 7,130                             |
| 13       | Net income taxes                                       | 165,080                                      | 45,599                                 | 210,679                                      | 15,439 <sup>7/</sup>                             | 226,118                           |
| 14       | Amortization of protected EDIT, net of tax             |  | (\$23,738)                             | (23,738)                                     |  | (23,738)                          |
| 15       | Amortization of investment tax credit                  | (2,836)                                      | -                                      | (2,836)                                      | -  | (2,836)                           |
| 16       | Total electric operating expenses (Sum of L7 thru L15) | 3,926,054                                    | (171,510)                              | 3,754,544                                    | 15,691   | 3,770,235                         |
| 17       | Net operating income for return (L4 minus L16)         | \$835,370                                    | \$212,115                              | \$1,047,485                                  | \$50,845   | \$1,098,330                       |

1/ Based on McManeus Exhibit 1.

2/ Boswell Exhibit 1, Schedule 3-1, Column (cc).

3/ Column (a) plus Column (b).

4/ Line 4 minus Line 3.

5/ Boswell Exhibit 1, Schedule 5, Line 5, Column (c).

6/ Line 4 times (1 minus retention factor after uncollectibles and regulatory fee of 0.9962055 from Boswell Exhibit 1, Schedule 1-2, Line 10.)

7/ Line 4 minus Line 9 minus change in interest expense from Boswell Exhibit 1, Schedule 5, Line 3, Column (a), times composite income tax rate of 23.3503%.

8/ Column (c) plus Column (d).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**SUMMARY OF PUBLIC STAFF NET**  
**OPERATING INCOME ADJUSTMENTS**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1**  
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| Line No. | Item   | Adjust<br>Weather<br>Normalization<br>(a) | Update<br>Plant to<br>11/30/2019<br>(b) | Update<br>Customer<br>Growth &<br>Usage to<br>11/30/2019<br>(c) | Adjust<br>Distribution<br>Vegetation<br>Management<br>(d) | Remove<br>EDIT<br>Refund for<br>Treatment<br>as a Rider<br>(e) |
|----------|--|---|---|---|---|--|
| 1        | Electric operating revenues:                           |   |   |   |   |  |
| 2        | Sales of electricity                                   | \$12,622 <sup>1/</sup>                    | \$0                                     | \$27,983 <sup>4/</sup>  | \$0   | \$0  |
| 3        | Other revenues   | -   | -                                       | -   | -   | -  |
| 4        | Electric operating revenues (L2 + L3)                  | <u>12,622</u>                             | <u>-</u>                                | <u>27,983</u>   | <u>-</u>  | <u>-</u>   |
| 5        | Electric operating expenses:                           |   |   |   |   |  |
| 6        | Operations and maintenance:                            |   |   |   |   |  |
| 7        | Fuel used in electric generation                       | (\$21,772) <sup>1/</sup>                  | -                                       | 5,348 <sup>4/</sup>   | -   | -  |
| 8        | Purchased power  | -   | -                                       | -   | -   | -  |
| 9        | Other operations and maintenance expenses              | -   | -                                       | 2,461 <sup>4/</sup>   | (\$205) <sup>5/</sup>                                     | -  |
| 10       | Depreciation and amortization                          | -   | (6,664) <sup>2/</sup>                   | -   | -   | -  |
| 11       | General taxes  | -   | (10) <sup>2/</sup>                      | -   | -   | -  |
| 12       | Interest on customer deposits                          | -   | -                                       | -   | -   | -  |
| 13       | Net income taxes                                       | 8,031 <sup>3/</sup>                       | 1,558 <sup>3/</sup>                     | 4,711 <sup>3/</sup>   | 48 <sup>3/</sup>  | - <sup>3/</sup>  |
| 14       | Amortization of protected EDIT, net of tax             | -   | -                                       | -   | -   | -  |
| 15       | Amortization of investment tax credit                  | -   | -                                       | -   | -   | -  |
| 16       | Total electric operating expenses (Sum of L7 thru L15) | <u>(13,741)</u>                           | <u>(5,116)</u>                          | <u>12,520</u>   | <u>(157)</u>  | <u>-</u>   |
| 17       | Net operating income for return (L4 minus L16)         | <u>26,363</u>                             | <u>5,116</u>                            | <u>15,463</u>   | <u>157</u>  | <u>-</u>   |
| 18       | Calculated revenue requirement impact                  | <sup>30/</sup> <u>(\$34,525)</u>          | <u>(\$6,700)</u>                        | <u>(\$20,250)</u>   | <u>(\$205)</u>  | <u>\$0</u>   |

1/ Boswell Exhibit 1, Schedule 3-1(a), Line 6.

2/ Boswell Exhibit 1, Schedule 3-1(b), Lines 4 and 12.

3/ Line 4 minus Sum of Line 7 through 12 times composite income tax rate of 23.3503%.

4/ Boswell Exhibit 1, Schedule 3-1(c), Lines 3, 6, and 18.

5/ Boswell Exhibit 1, Schedule 3-1(d), Line 16.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**SUMMARY OF PUBLIC STAFF NET**  
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**Public Staff**  
**Boswell Exhibit 1**  
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| Line No. | Item   | Adjust<br>for Hydro<br>Station Sales<br>(f) | Adjust<br>Depreciation<br>Rates<br>(g) | Adjust<br>Incentives<br>(h) | Adjust<br>Executive<br>Compensation<br>(i) | Adjust<br>Aviation<br>Expenses<br>(j) |
|----------|--|---|--|-----------------------------|--|---------------------------------------|
| 1        | Electric operating revenues:                           |   |  |                             |  |                                       |
| 2        | Sales of electricity                                   | \$0   | \$0                                    | \$0                         | \$0  | \$0                                   |
| 3        | Other revenues   | -   | -                                      | -                           | -  | -                                     |
| 4        | Electric operating revenues (L2 + L3)                  | <u>-</u>                                    | <u>-</u>                               | <u>-</u>                    | <u>-</u>                                   | <u>-</u>                              |
| 5        | Electric operating expenses:                           |   |  |                             |  |                                       |
| 6        | Operations and maintenance:                            |   |  |                             |  |                                       |
| 7        | Fuel used in electric generation                       | -   | -                                      | \$0                         | -  | -                                     |
| 8        | Purchased power  | -   | -                                      | -                           | -  | -                                     |
| 9        | Other operations and maintenance expenses              | 4 <sup>7/</sup>                             | -                                      | (\$19,614) <sup>9/</sup>    | (173) <sup>10/</sup>                       | (\$2,079) <sup>11/</sup>              |
| 10       | Depreciation and amortization                          | (2,071) <sup>7/</sup>                       | (33,154) <sup>8/</sup>                 | -                           | -  | -                                     |
| 11       | General taxes  | 2 <sup>7/</sup>                             | -                                      | -                           | -  | (24) <sup>11/</sup>                   |
| 12       | Interest on customer deposits                          | -   | -                                      | -                           | -  | -                                     |
| 13       | Net income taxes                                       | 482 <sup>3/</sup>                           | 7,742 <sup>3/</sup>                    | 4,580 <sup>3/</sup>         | 40 <sup>3/</sup>                           | 491 <sup>3/</sup>                     |
| 14       | Amortization of protected EDIT, net of tax             | -   | -                                      | -                           | -  | -                                     |
| 15       | Amortization of investment tax credit                  | -   | -                                      | -                           | -  | -                                     |
| 16       | Total electric operating expenses (Sum of L7 thru L15) | <u>(1,583)</u>                              | <u>(25,412)</u>                        | <u>(15,034)</u>             | <u>(133)</u>                               | <u>(1,612)</u>                        |
| 17       | Net operating income for return (L4 minus L16)         | <u>1,583</u>                                | <u>25,412</u>                          | <u>15,034</u>               | <u>133</u>                                 | <u>1,612</u>                          |
| 18       | Calculated revenue requirement impact                  | <sup>30/</sup> <u>(\$2,073)</u>             | <u>(\$33,280)</u>                      | <u>(\$19,689)</u>           | <u>(\$174)</u>                             | <u>(\$2,111)</u>                      |

7/ Boswell Exhibit 1, Schedule 3-1(e), Lines 3, 8, and 11.

8/ Boswell Exhibit 1, Schedule 3-1(f), Line 9.

9/ Boswell Exhibit 1, Schedule 3-1(g), Line 17.

10/ Boswell Exhibit 1, Schedule 3-1(h), Line 13.

11/ Boswell Exhibit 1, Schedule 3-1(i), Lines 9, 16, and 21.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**SUMMARY OF PUBLIC STAFF NET**  
**OPERATING INCOME ADJUSTMENTS**  
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**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1**  
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| Line No. | Item   | Adjust<br>Deferred<br>Environmental<br>Costs<br>(k) | Adjust<br>Outside<br>Services<br>(l) | Adjust<br>Credit Card<br>Fees<br>(m) | Adjust<br>Storm<br>Deferral<br>(n) | Adjust<br>Sponsorships<br>& Donations<br>(o) |
|----------|--|---|--------------------------------------|--------------------------------------|------------------------------------|--|
| 1        | Electric operating revenues:                           |   |                                      |                                      |                                    |  |
| 2        | Sales of electricity                                   | \$0   | \$0                                  | \$0                                  | \$0                                | \$0  |
| 3        | Other revenues   | -   | -                                    | -                                    | -                                  | -  |
| 4        | Electric operating revenues (L2 + L3)                  | <u>-</u>  | <u>-</u>                             | <u>-</u>                             | <u>-</u>                           | <u>-</u>                                     |
| 5        | Electric operating expenses:                           |   |                                      |                                      |                                    |  |
| 6        | Operations and maintenance:                            |   |                                      |                                      |                                    |  |
| 7        | Fuel used in electric generation                       | -   | -                                    | -                                    | -                                  | -  |
| 8        | Purchased power  | -   | -                                    | -                                    | -                                  | -  |
| 9        | Other operations and maintenance expenses              | -   | (527) <sup>13/</sup>                 | (\$107) <sup>14/</sup>               | -                                  | (268) <sup>16/</sup>                         |
| 10       | Depreciation and amortization                          | (66,775) <sup>12/</sup>                             | -                                    | -                                    | (\$24,588) <sup>15/</sup>          | -  |
| 11       | General taxes  | -   | -                                    | -                                    | -                                  | -  |
| 12       | Interest on customer deposits                          | -   | -                                    | -                                    | -                                  | -  |
| 13       | Net income taxes                                       | 15,592 <sup>3/</sup>                                | 123 <sup>3/</sup>                    | 25 <sup>3/</sup>                     | 5,741 <sup>3/</sup>                | 63 <sup>3/</sup>                             |
| 14       | Amortization of protected EDIT, net of tax             | -   | -                                    | -                                    | -                                  | -  |
| 15       | Amortization of investment tax credit                  | -   | -                                    | -                                    | -                                  | -  |
| 16       | Total electric operating expenses (Sum of L7 thru L15) | <u>(51,183)</u>                                     | <u>(404)</u>                         | <u>(82)</u>                          | <u>(18,847)</u>                    | <u>(205)</u>                                 |
| 17       | Net operating income for return (L4 minus L16)         | <u>51,183</u>                                       | <u>404</u>                           | <u>82</u>                            | <u>18,847</u>                      | <u>205</u>                                   |
| 18       | Calculated revenue requirement impact <sup>30/</sup>   | <u>(\$67,030)</u>                                   | <u>(\$529)</u>                       | <u>(\$108)</u>                       | <u>(\$24,682)</u>                  | <u>(\$268)</u>                               |

12/ Based on the recommendation of Public Staff witness Maness.

13/ Boswell Exhibit 1, Schedule 3-1(j), Line 5.

14/ Boswell Exhibit 1, Schedule 3-1(k) Line 5.

15/ Boswell Exhibit 1, Schedule 3-1(l), Line 4.

16/ Boswell Exhibit 1, Schedule 3-1(m), Line 6.

**DUKE ENERGY CAROLINAS, LLC**  
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**North Carolina Retail Operations**  
**SUMMARY OF PUBLIC STAFF NET**  
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**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1**  
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| Line No. | Item   | Adjust<br>Lobbying<br>Expense<br>(p) | Adjust<br>Board of<br>Directors<br>Expense<br>(q) | Adjust<br>Advertising<br>Expense<br>(r) | Adjust<br>Salaries<br>& Wages<br>(s) |
|----------|--|--------------------------------------|---|---|--------------------------------------|
| 1        | Electric operating revenues:                           |                                      |   |   |                                      |
| 2        | Sales of electricity                                   | \$0                                  | \$0   | \$0                                     | \$0                                  |
| 3        | Other revenues   | -                                    | -   | -                                       | -                                    |
| 4        | Electric operating revenues (L2 + L3)                  | <u>-</u>                             | <u>-</u>  | <u>-</u>                                | <u>-</u>                             |
| 5        | Electric operating expenses:                           |                                      |   |   |                                      |
| 6        | Operations and maintenance:                            |                                      |   |   |                                      |
| 7        | Fuel used in electric generation                       | -                                    | -   | -                                       | -                                    |
| 8        | Purchased power  | -                                    | -   | -                                       | -                                    |
| 9        | Other operations and maintenance expenses              | (2,249) <sup>17/</sup>               | (1,885) <sup>18/</sup>                            | (\$354) <sup>19/</sup>                  | (\$3,500) <sup>20/</sup>             |
| 10       | Depreciation and amortization                          | -                                    | -   | -                                       | -                                    |
| 11       | General taxes  | -                                    | -   | -                                       | (\$172) <sup>20/</sup>               |
| 12       | Interest on customer deposits                          | -                                    | -   | -                                       | -                                    |
| 13       | Net income taxes                                       | 525 <sup>3/</sup>                    | 440 <sup>3/</sup>                                 | 83 <sup>3/</sup>                        | 857 <sup>3/</sup>                    |
| 14       | Amortization of protected EDIT, net of tax             | -                                    | -   | -                                       | -                                    |
| 15       | Amortization of investment tax credit                  | -                                    | -   | -                                       | -                                    |
| 16       | Total electric operating expenses (Sum of L7 thru L15) | <u>(1,724)</u>                       | <u>(1,445)</u>                                    | <u>(271)</u>                            | <u>(2,815)</u>                       |
| 17       | Net operating income for return (L4 minus L16)         | <u>1,724</u>                         | <u>1,445</u>                                      | <u>271</u>                              | <u>2,815</u>                         |
| 18       | Calculated revenue requirement impact                  | <sup>30/</sup> <u>(\$2,258)</u>      | <u>(\$1,892)</u>                                  | <u>(\$355)</u>                          | <u>(\$3,687)</u>                     |

17/ Boswell Exhibit 1, Schedule 3-1(n), Line 6.  
18/ Boswell Exhibit 1, Schedule 3-1(o), Line 12.  
19/ Boswell Exhibit 1, Schedule 3-1(p), Line 3.  
20/ Boswell Exhibit 1, Schedule 3-1(q), Lines 16 and 21.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**SUMMARY OF PUBLIC STAFF NET**  
**OPERATING INCOME ADJUSTMENTS**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1**  
**Page 5 of 6**

| Line No. | Item   | Adjust Storm Normalization<br>(t) | Adjust O&M related to Retired Hydro<br>(u) | Adjust Rate Case Expense<br>(v) | Adjust Severance<br>(w)  | Adjustment to Inflation Adjustment<br>(x) |
|----------|--|-----------------------------------|--|---------------------------------|--------------------------|---|
| 1        | Electric operating revenues:                           |                                   |  |                                 |                          |   |
| 2        | Sales of electricity                                   | \$0                               | \$0  | \$0                             | \$0                      | \$0                                       |
| 3        | Other revenues   | -                                 | -  | -                               | -                        | -   |
| 4        | Electric operating revenues (L2 + L3)                  | <u>-</u>                          | <u>-</u>                                   | <u>-</u>                        | <u>-</u>                 | <u>-</u>                                  |
| 5        | Electric operating expenses:                           |                                   |  |                                 |                          |   |
| 6        | Operations and maintenance:                            |                                   |  |                                 |                          |   |
| 7        | Fuel used in electric generation                       | -                                 | -  | -                               | -                        | -   |
| 8        | Purchased power  | -                                 | -  | -                               | -                        | -   |
| 9        | Other operations and maintenance expenses              | 1,836 <sup>21/</sup>              | (\$100) <sup>22/</sup>                     | (\$335) <sup>23/</sup>          | (\$8,613) <sup>24/</sup> | \$4,285 <sup>25/</sup>                    |
| 10       | Depreciation and amortization                          | -                                 | -  | -                               | -                        | -   |
| 11       | General taxes  | -                                 | -  | -                               | -                        | -   |
| 12       | Interest on customer deposits                          | -                                 | -  | -                               | -                        | -   |
| 13       | Net income taxes                                       | (429) <sup>3/</sup>               | 23   | 78                              | 2,011                    | (1,001)                                   |
| 14       | Amortization of protected EDIT, net of tax             | -                                 | -  | -                               | -                        | -   |
| 15       | Amortization of investment tax credit                  | -                                 | -  | -                               | -                        | -   |
| 16       | Total electric operating expenses (Sum of L7 thru L15) | <u>1,407</u>                      | <u>(77)</u>                                | <u>(257)</u>                    | <u>(6,602)</u>           | <u>3,284</u>                              |
| 17       | Net operating income for return (L4 minus L16)         | <u>(1,407)</u>                    | <u>77</u>                                  | <u>257</u>                      | <u>6,602</u>             | <u>(3,284)</u>                            |
| 18       | Calculated revenue requirement impact                  | <sup>30/</sup> <u>\$1,843</u>     | <u>(\$101)</u>                             | <u>(\$337)</u>                  | <u>(\$8,646)</u>         | <u>\$4,301</u>                            |

21/ Boswell Exhibit 1, Schedule 3-1(r), Line 11.

22/ Boswell Exhibit 1, Schedule 3-1(s), Line 5.

23/ Boswell Exhibit 1, Schedule 3-1(t), Line 5.

24/ Boswell Exhibit 1, Schedule 3-1(u), Line 7.

25/ Boswell Exhibit 1, Schedule 3-1(v), Line 15.

**DUKE ENERGY CAROLINAS, LLC**  
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**North Carolina Retail Operations**  
**SUMMARY OF PUBLIC STAFF NET**  
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**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1**  
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| Line No. | Item   | Include Flowback of Protected EDIT due to Tax Cuts & Jobs Act<br>(y) | Adjustment to Belews Creek<br>(z) | Adjust Deferred Non-ARO Environmental Costs<br>(aa) | Interest Synchronization Adjustment<br>(bb) | Total NOI Adjustments <sup>28/</sup><br>(cc) |
|----------|--|--|-----------------------------------|---|---|--|
| 1        | Electric operating revenues:                           |  |                                   |   |   |  |
| 2        | Sales of electricity                                   | \$0  | \$0                               | \$0   | \$0   | \$40,605                                     |
| 3        | Other revenues   |  |                                   |   | -   | -  |
| 4        | Electric operating revenues (L2 + L3)                  | <u>-</u>   | <u>-</u>                          | <u>-</u>  | <u>-</u>                                    | <u>40,605</u>                                |
| 5        | Electric operating expenses:                           |  |                                   |   |   |  |
| 6        | Operations and maintenance:                            |  |                                   |   |   |  |
| 7        | Fuel used in electric generation                       |  |                                   |   | -   | (\$16,424)                                   |
| 8        | Purchased power  |  |                                   |   | -   | -  |
| 9        | Other operations and maintenance expenses              |  |                                   |   | -   | (31,423)                                     |
| 10       | Depreciation and amortization                          |  | (\$2,127) <sup>27/</sup>          | (\$9,940) <sup>12/</sup>                            | -   | (145,319)                                    |
| 11       | General taxes  |  |                                   |   | -   | (204)  |
| 12       | Interest on customer deposits                          |  |                                   |   | -   | -  |
| 13       | Net income taxes                                       |  | 497 <sup>3/</sup>                 | 2,321 <sup>3/</sup>                                 | (9,033) <sup>27/</sup>                      | 45,599                                       |
| 14       | Amortization of protected EDIT, net of tax             | (\$23,738) <sup>26/</sup>  |                                   |   |   | (23,738)                                     |
| 15       | Amortization of investment tax credit                  |  |                                   |   | -   | -  |
| 16       | Total electric operating expenses (Sum of L7 thru L15) | <u>(23,738)</u>  | <u>(1,630)</u>                    | <u>(7,619)</u>                                      | <u>(9,033)</u>                              | <u>(171,510)</u>                             |
| 17       | Net operating income for return (L4 minus L16)         | <u>23,738</u>  | <u>1,630</u>                      | <u>7,619</u>  | <u>9,033</u>                                | <u>212,115</u>                               |
| 18       | Calculated revenue requirement impact                  | <sup>30/</sup> <u>(\$31,087)</u>                                     | <u>(\$2,135)</u>                  | <u>(\$9,978)</u>                                    | <u>(\$11,830)</u>                           | <u>(\$277,787)</u>                           |

26/ Boswell Exhibit 1, Schedule 3-1(w), Line 6.

27/ Boswell Exhibit 1, Schedule 2-1(f), Line 7.

28/ Boswell Exhibit 1, Schedule 3-1(x), Line 8.

29/ Sum of Columns (a) through (bb).

30/ Negative of Line 16 divided by expense retention factor 0.7635890 from Boswell Exhibit 1, Schedule 1-2, Line 14.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF ADJUSTMENT TO TEST**  
**YEAR REVENUES AND FUEL RELATED**  
**EXPENSES FOR WEATHER**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(a)**

| Line No. | Item  | Revenues   |                                       |   | Fuel & Fuel Related Expenses                           |   |
|----------|---|--|---------------------------------------|---|--|---|
|          |   | Public Staff<br>NC KWH<br>Weather<br>Adjustment <sup>1/</sup><br>(a) | Cents<br>per KWH <sup>2/</sup><br>(b) | Public Staff<br>Adjustment <sup>3/</sup><br>(c) | Fuel Costs<br>in Cents<br>per KWH <sup>4/</sup><br>(d) | Public Staff<br>Adjustment <sup>5/</sup><br>(e) |
| 1        | Total NC Residential                          | (521,492,469)  | 8.4618                                | (\$44,128)                                      | 1.1813   | (\$6,160)                                       |
| 2        | Total NC General Service                      | (731,235,106)  | 6.6954                                | (48,959)  | 1.9561   | (14,304)  |
| 3        | Total NC Industrial                           | <u>(69,106,813)</u>  | 5.5814                                | <u>(3,857)</u>                                  | 1.8934   | <u>(1,308)</u>                                  |
| 4        | Total NC Retail (L1 + L2 + L3)                | <u><u>(1,321,834,388)</u></u>  |                                       | (\$96,944)                                      |  | (\$21,772)                                      |
| 5        | Adjustment to revenues per Company            |  |                                       | (\$109,566) <sup>6/</sup>                       |  |   |
| 6        | Public Staff adjustment to revenues (L4 - L5) |  |                                       | <u><u>\$12,622</u></u>                          |  | <u><u>(\$21,772)</u></u>                        |

- 1/ Amounts per Public Staff witness Saillor.  
2/ NCUC Form E-1, Item No. 10, NC-0301, Line 11, update to November 30, 2019.  
3/ (Column (a) times Column (b)) divided by 100,000.  
4/ NCUC Form E-1, Item No. 10, NC-0301, Line 15, updated to November 30, 2019.  
5/ (Column (a) times Column (d)) divided by 100,000.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO DEPRECIATION EXPENSE AND**  
**PROPERTY TAXES FOR PLANT UPDATE**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(b)**

| Line No. | Item  | Amount                  |
|----------|---|-------------------------|
| 1        | <u>Depreciation expense</u>   |                         |
| 2        | Depreciation expense on increase in plant per Public Staff                    | \$43,965 1/             |
| 3        | Company adjustment  | <u>50,629 2/</u>        |
| 4        | Public Staff adjustment to depreciation expense for update of plant (L2 - L3) | <u><u>(\$6,664)</u></u> |
| 5        | <u>General taxes</u>  |                         |
| 6        | Update to plant per Public Staff  | 1,323,490 3/            |
| 7        | Less: adjustment to intangible plant  | <u>29,717 4/</u>        |
| 8        | Adjustment to plant excluding intangible plant (L6 - L7)                      | 1,293,773               |
| 9        | Property tax rate per \$1000  | <u>0.0052256 5/</u>     |
| 10       | Impact to property taxes of Public Staff plant update (L8 x L9)               | 6,761                   |
| 11       | Company adjustment  | <u>6,771 6/</u>         |
| 12       | Public Staff adjustment to property taxes (L10 - L11)                         | <u><u>(\$10)</u></u>    |

- 1/ Boswell Exhibit 1, Schedule 3-1(b)(1), Line 12, Column (e).
- 2/ McManeus Exhibit 1, NC-1001, Line 63.
- 3/ Boswell Exhibit 1, Schedule 2-1(a)(1), Line 13, Column (e).
- 4/ Boswell Exhibit 1, Schedule 2-1(a)(1), Line 9, Column (e).
- 5/ McManeus Exhibit 1, NC-1001, Line 68.
- 6/ McManeus Exhibit 1, NC-1001, Line 75 minus Line 71.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF DEPRECIATION**  
**EXPENSE ON PLANT UPDATE**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(b)(1)**

| Line No. | Item                                  | Increase in<br>Plant in<br>Service <sup>1/</sup> | Depreciation<br>Rate <sup>2/</sup> | Increase in<br>Depreciation <sup>3/</sup> | NC Retail<br>Percentage <sup>5/</sup> | NC Retail<br>Amount <sup>6/</sup> |
|----------|---------------------------------------|--|------------------------------------|---|---------------------------------------|-----------------------------------|
|          |                                       | (a)  | (b)                                | (c)                                       | (d)                                   | (e)                               |
| 1        | Steam plant                           | \$462,923  | 3.90%                              | \$18,054                                  |                                       |                                   |
| 2        | Hydro plant                           | 137,619  | 3.60%                              | 4,954                                     |                                       |                                   |
| 3        | Other production plant                | 69,557   | 1.99%                              | 1,384                                     |                                       |                                   |
| 4        | Nuclear plant                         | 107,977  | 3.12%                              | 3,369                                     |                                       |                                   |
| 5        | Total production plant                | <u>778,076</u>                                   |                                    | <u>27,761</u>                             | 66.5694%                              | \$18,480                          |
| 6        | Transmission plant                    | 285,985  | 2.23%                              | 6,377                                     | 52.9563%                              | 3,377                             |
| 7        | Distribution plant                    | 762,558  | 2.24%                              | 17,081                                    | 73.9530%                              | 12,632                            |
| 8        | General plant                         | 88,030   | 5.27%                              | 4,639                                     | 68.6472%                              | 3,185                             |
| 9        | Intangible plant                      | 43,290   | various <sup>4/</sup>              | 9,164 <sup>4/</sup>                       | 68.6472%                              | 6,291                             |
| 10       | Total                                 | <u>\$1,957,939</u>                               |                                    | <u>\$65,022</u>                           |                                       | 43,965                            |
| 11       | Less: depreciation on REPS additions  |  |                                    |   |                                       | -                                 |
| 12       | Depreciation expense per Public Staff |  |                                    |   |                                       | <u>\$43,965</u>                   |

1/ Boswell Exhibit 1, Schedule 2-1(a)(1), Column (c).

2/ Based on recommendation of Public Staff witness McCullar, unless footnoted otherwise.

3/ Column (a) times Column (b).

4/ Based on information provided by the Company.

5/ E-1, Item 45a, DEC COS NC SWPA.

6/ Column (c) times Column (d).

7/ Boswell Exhibit 1, Schedule 2-1(a)(1), Line 12 times other production depreciation rate from Line 3, Column (b).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO UPDATE REVENUES TO**  
**NOVEMBER 30, 2019**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(c)**

| Line No.                             | Item   | Amount                         |
|--------------------------------------|--|--------------------------------|
| <u>Revenues</u>                      |  |                                |
| 1                                    | Update revenues for customer growth  | \$69,227 <sup>1/</sup>         |
| 2                                    | Update revenues for usage  | <u>(41,244) <sup>2/</sup></u>  |
| 3                                    | Adjust revenues for update (L1 + L2)   | <u>\$27,983</u>                |
| <u>Fuel and Fuel Related Expense</u> |  |                                |
| 4                                    | Adjust fuel and fuel-related expense for customer growth update              | \$13,887 <sup>1/</sup>         |
| 5                                    | Adjust fuel and fuel-related expense for usage update                        | <u>(8,539) <sup>2/</sup></u>   |
| 6                                    | Adjust fuel expense for change in kwh (L4 + L5)                              | <u>\$5,348</u>                 |
| <u>Other O&amp;M Expense</u>         |  |                                |
| 7                                    | Public Staff update adjustment to MHW sales for growth                       | 902,260 <sup>1/</sup>          |
| 8                                    | Public Staff update adjustment to MHW sales for usage                        | <u>(473,378) <sup>2/</sup></u> |
| 9                                    | Public Staff adjustment to MWH sales (L7 + L8)                               | 428,882                        |
| 10                                   | Energy-related non-fuel variable O&M expense per kWh in dollars              | <u>2.45496 <sup>3/</sup></u>   |
| 11                                   | Adjustment to energy-related non-fuel variable O&M expense (L9 x L10 / 1000) | <u>1,053</u>                   |
| 12                                   | Public Staff change in bills   | 607,942 <sup>4/</sup>          |
| 13                                   | Annual customer-related variable O&M expense per bill in dollars             | <u>2.14094 <sup>5/</sup></u>   |
| 14                                   | Adjustment to customer-related variable O&M expense (L12 x L13 / 1,000)      | <u>1,302</u>                   |
| 15                                   | Adjust variable non-fuel O&M expense (L11 + L14)                             | \$2,355                        |
| 16                                   | Adjust uncollectibles for increase in revenues                               | 70 <sup>6/</sup>               |
| 17                                   | Adjust regulatory fee for increase in revenues, net of uncollectibles        | <u>36 <sup>7/</sup></u>        |
| 18                                   | Total adjustment to other O&M expenses (L15 + L16 + L17)                     | <u>\$2,461</u>                 |

- 1/ Boswell Exhibit 1, Schedule 3-1(c)(1), Line 10.  
2/ Boswell Exhibit 1, Schedule 3-1(c)(2), Line 2.  
3/ Boswell Exhibit 1, Schedule 3-1 (()), Line 24.  
4/ Based on the recommendation of Public Staff witness Saillor.  
5/ Boswell Exhibit 1, Schedule 3-1(c)(4), Line 20.  
6/ Line 3 times uncollectibles rate of 0.25010%.  
7/ (Line 3 minus Line 16) times regulatory fee rate of 0.12967%.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF ADJUSTMENT TO**  
**REVENUES AND FUEL RELATED**  
**EXPENSES TO UPDATE CUSTOMER**  
**GROWTH TO NOVEMBER 30, 2017**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(c)(1)**

| Line No. | Item                                 | Revenues   |                                    |  | Fuel & Fuel Related Expenses                     |  |
|----------|--------------------------------------|--|------------------------------------|--|--|--|
|          |                                      | Public Staff Growth NC KWH Adjustment <sup>1/</sup><br>(a) | Cents per KWH <sup>2/</sup><br>(b) | Public Staff Adjustment <sup>3/</sup><br>(c) | Fuel Costs in Cents per KWH <sup>4/</sup><br>(d) | Public Staff Adjustment <sup>5/</sup><br>(e) |
| 1        | Total NC Residential                 | 631,330,612  | 9.75                               | \$61,580                                     | 1.8126   | \$11,443                                     |
| 2        | General Service Small and Large      | 139,047,701  | 6.96                               | 9,684  | 1.9561   | 2,720  |
| 3        | T2 Flood Lighting / Outdoor Lighting | 3,697,119  | 17.35                              | 642  | 1.9561   | 72   |
| 4        | Miscellaneous                        | 827,864  | 15.68                              | 130  | 1.9561   | 16   |
| 5        | Total NC General (L2 + L3 + L4)      | 143,572,684  |                                    | 10,456                                       |  | 2,808  |
| 6        | T                                    |  | 17.35                              | 0  |  | 0  |
| 7        | TS                                   | 102,928  | 16.92                              | 17   | 1.9561   | 2  |
| 8        | Total NC Street Lighting (L6 + L7)   | 102,928  |                                    | 17   |  | 2  |
| 9        | Total NC Industrial                  | 127,254,164  | 5.59                               | 7,116  | 1.8934   | 2,409  |
| 10       | Total NC Retail (L1 + L5 + L8 + L9)  | 902,260,388  |                                    | \$79,169                                     |  | \$16,662                                     |
| 11       | Adjustment to revenues per Company   |  |                                    | \$9,942 <sup>6/</sup>                        |  | \$2,775 <sup>6/</sup>                        |
| 12       | Public Staff adjustment to revenues  |  |                                    | \$69,227                                     |  | \$13,887                                     |

1/ Amounts per Public Staff witness Saillor.

2/ E-1, Item No. 10, NC-0402, Column (b), updated to November 30, 2019 in Company response to DR1-7.

3/ (Column (a) times Column (b)) divided by 100,000.

4/ NCUC Form E-1, Item No. 10, NC-0401, Line 5.

5/ (Column (a) times Column (d)) divided by 100,000.

6/ E-1, Item 10, NC-0401, Total NC Retail Column, Lines 3 and 7.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF ADJUSTMENT TO**  
**REVENUES AND FUEL RELATED**  
**EXPENSES TO UPDATE USAGE TO**  
**NOVEMBER 30, 2019**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(c)(2)**

| Line No. | Item                                 | Revenues  |                                |  | Fuel & Fuel Related Expenses                    |  |
|----------|--------------------------------------|---|--------------------------------|--|---|--|
|          |                                      | Public Staff<br>NC KWH<br>Usage<br>Adjustment <sup>1/</sup> | Cents<br>per KWH <sup>2/</sup> | Public Staff<br>Adjustment <sup>3/</sup> | Fuel Costs<br>in Cents<br>per KWH <sup>4/</sup> | Public Staff<br>Adjustment <sup>5/</sup> |
|          |                                      | (a)   | (b)                            | (c)                                      | (d)   | (e)                                      |
| 1        | Total NC Residential                 | <u>(517,967,451)</u>  | 8.46                           | <u>(\$43,829)</u>                        | 1.8126  | <u>(\$9,389)</u>                         |
| 2        | General Service Small and Large      | 11,437,830  | 6.70                           | \$766                                    | 1.9561  | \$224                                    |
| 3        | T2 Flood Lighting / Outdoor Lighting |   |                                |  |   |  |
| 4        | Miscellaneous                        | <u>(1,061,362)</u>  | 5.44                           | <u>(58)</u>                              | 1.9561  | <u>(21)</u>                              |
| 5        | Total NC General (L2 + L3 + L4)      | <u>10,376,468</u>   |                                | <u>\$708</u>                             |   | <u>\$203</u>                             |
| 5        | T                                    |   |                                |  |   |  |
| 6        | TS                                   | <u>(490,705)</u>  | 12.21                          | <u>(\$60)</u>                            | 1.9561  | <u>(\$10)</u>                            |
| 7        | Total NC Street Lighting (L6 + L7)   | <u>(490,705)</u>  |                                | <u>(\$60)</u>                            |   | <u>(\$10)</u>                            |
| 8        | Total NC Industrial                  | <u>34,703,250</u>   | 5.58                           | <u>\$1,937</u>                           | 1.8934  | <u>\$657</u>                             |
| 2        | Total NC Retail                      | <u>(473,378,438)</u>  |                                | <u>(\$41,244)</u>                        |   | <u>(\$8,539)</u>                         |

- 1/ Amounts per Public Staff witness Saillor.  
2/ E-1, Item 10, NC-0404, updated to November 30, 2019 in Company response to DR1-7.  
3/ (Column (a) times Column (b)) divided by 100,000.  
4/ NCUC Form E-1, Item No. 10, NC-0401, Line 5.  
5/ (Column (a) times Column (d)) divided by 100,000.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF VARIABLE NON-FUEL O&M EXPENSE PER KWH AND PER**  
**BILL**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(c)(3)**

| Line No. | Item   | NC Retail Amount<br>(a)          | Sub-Calculations<br>(b)       |
|----------|--|----------------------------------|-------------------------------|
| 1        | 2018 per books energy-related production O&M expense excluding fuel and purchased power                                | \$218,839 <sup>1/</sup>          |                               |
| 2        | Non-fuel rider energy-related costs removed from base rates  | <u>(94,708) <sup>2/</sup></u>    |                               |
| 3        | Total non-fuel, non-payroll energy related production O&M expense (L1 - L2)  | <u>124,131</u>                   |                               |
| 4        | Total O&M expense, excluding A&G expense   | 2,138,223 <sup>3/</sup>          |                               |
| 5        | Less: fuel expense   | <u>1,222,153 <sup>4/</sup></u>   |                               |
| 6        | Total non-fuel O&M expense, excluding A&G expense (L4 - L5)  | <u>916,070</u>                   |                               |
| 7        | Ratio (L3 / L6)  | <u>0.135504</u>                  |                               |
| 8        | Total per books A&G expense  | 416,565 <sup>5/</sup>            |                               |
| 9        | Salaries and wages in Line 10 - system amount  |                                  | 254,543 <sup>6/</sup>         |
| 10       | Per books employee pensions and benefits - system amount   |                                  | <u>102,240 <sup>7/</sup></u>  |
| 11       | Subtotal (L9 + L10)  |                                  | 356,783                       |
| 12       | NC retail allocation factor  |                                  | <u>67.0892% <sup>8/</sup></u> |
| 13       | NC retail per books salaries, wages, pensions, and employee benefits (L11 x L12)                                       |                                  | 239,363                       |
| 14       | Aviation expense removed elsewhere   |                                  | 4,065 <sup>9/</sup>           |
| 15       | NC regulatory fee adjusted elsewhere   |                                  | 6,986 <sup>10/</sup>          |
| 16       | Outside services removed elsewhere   |                                  | 527 <sup>11/</sup>            |
| 17       | Sponsorships, donations, and advertising removed elsewhere   |                                  | 622 <sup>12/</sup>            |
| 18       | Hydro Station Sales removed elsewhere  |                                  | 1,560 <sup>14/</sup>          |
| 19       | Board of Directors expense removed elsewhere   |                                  | <u>1,885 <sup>13/</sup></u>   |
| 20       | Total of A&G items adjusted elsewhere (Sum of Lines 13 thru 19)  | <u>255,008</u>                   | <u>\$255,008</u>              |
| 21       | Total A&G expense not adjusted elsewhere (L8 - L20)  | <u>161,557</u>                   |                               |
| 22       | Portion of A&G not adjusted elsewhere related to non-fuel non-payroll energy-related production O&M expense (L7 x L21) | <u>21,892</u>                    |                               |
| 23       | Total non-fuel, non-payroll energy-related production O&M expense plus related non-payroll A&G expense (L3 + L22)      | 146,023                          |                               |
| 24       | Per books NC retail MWH sales  | <u>59,480,703 <sup>15/</sup></u> |                               |

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF BILL-RELATED EXPENSES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(c)(4)**

| Line No. | Item  | NC Retail Amount<br>(a)         | Sub-Calculations<br>(b)       |
|----------|---|---------------------------------|-------------------------------|
| 1        | 2018 per books bill-related O&M expenses:   |                                 |                               |
| 2        | Account 586 - Meters (operation)  | \$8,272 <sup>1/</sup>           |                               |
| 3        | Account 597 - Meters (maintenance)  | 1,788 <sup>1/</sup>             |                               |
| 4        | Account 587 - Customer - installations  | 8,447 <sup>1/</sup>             |                               |
| 5        | Accounts 901-905 - Customer accounts  | 65,597 <sup>2/</sup>            |                               |
| 6        | Accounts 908-910 - Customer service and information   | 14,702 <sup>2/</sup>            |                               |
| 7        | Total 2018 per books bill-related expenses (Sum of Lines 2 thru 6)                                | <u>98,806</u>                   |                               |
| 8        | Salaries and wages included in Line 7 - system amount   |                                 | 52,811 <sup>3/</sup>          |
| 9        | NC retail allocation factor   |                                 | <u>67.0892% <sup>4/</sup></u> |
| 10       | NC retail salaries and wages included in Line 7   | 35,430                          | <u>\$35,430</u>               |
| 11       | Uncollectibles expense adjusted elsewhere   | 12,692 <sup>5/</sup>            |                               |
| 12       | Total non-payroll bill-related O&M expenses not adjusted elsewhere (L7 - L10 - L11)               | <u>50,684</u>                   |                               |
| 13       | Total O&M expense, excluding A&G expense  | <u>2,138,223 <sup>6/</sup></u>  |                               |
| 14       | Total non-fuel O&M expense, excluding A&G expense   | <u>916,070 <sup>7/</sup></u>    |                               |
| 15       | Ratio (L12 / L14)   | <u>0.055328</u>                 |                               |
| 16       | Total A&G expense not adjusted elsewhere  | <u>161,557 <sup>8/</sup></u>    |                               |
| 17       | Portion of A&G not adjusted elsewhere related to non-payroll bill-related O&M expense (L15 x L16) | <u>8,939</u>                    |                               |
| 18       | Total non-payroll bill-related O&M expenses plus related non-payroll A&G expense (L12 + L17)      | 59,623                          |                               |
| 19       | Per books NC retail 2016 bills  | <u>27,849,043 <sup>3/</sup></u> |                               |
| 20       | Cost per bill (\$) (L18 x 1,000 / L19)  | <u>\$2.14094</u>                |                               |

- 1/ E-1, Item No. 45A, SWPA, Lines 198 and 221.  
2/ E-1, Item No. 45A, SWPA, Lines 240 and 246.  
3/ Based on information provided by Company.  
4/ Average NC retail allocation factor for the accounts listed on Lines 2 thru 6 per NCUC Form E-1, Item 45A.  
5/ E-1, Item No. 45A, SWPA, Account 904 - Uncollectible Accounts, Line 238, NC Retail amount.  
6/ Boswell Exhibit 1, Schedule 3-1(c)(3), Line 4.  
7/ Boswell Exhibit 1, Schedule 3-1(c)(3), Line 6.  
8/ Boswell Exhibit 1, Schedule 3-1(c)(3), Line 21.

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations

Public Staff  
Boswell Exhibit 1  
Schedule 3-1(d)

ADJUSTMENT TO DISTRIBUTION VEGETATION MANAGEMENT

For the Test Year Ended December 31, 2018  
(in Thousands)

| Line No. | Item   | Total Miles<br>(a)   | Target Cycle (In Years)<br>(b) | Test Year Amount<br>(c) | Adjusted Amount<br>(d)  |
|----------|--|----------------------|--------------------------------|-------------------------|-------------------------|
| 1        | Number of trim miles per year:                                 |                      |                                |                         |                         |
| 2        | Urban Miles  | 2,171 <sup>1/</sup>  | 5 <sup>2/</sup>                |                         | 434 <sup>3/</sup>       |
| 3        | Mountain Miles   | 7,847 <sup>1/</sup>  | 7 <sup>2/</sup>                |                         | 1,121 <sup>3/</sup>     |
| 4        | Other Miles  | 41,686 <sup>1/</sup> | 9 <sup>2/</sup>                |                         | 4,632 <sup>3/</sup>     |
| 5        | Total number of trim miles (L2 + L3 + L4)                      | <u>51,704</u>        |                                | 5,559                   | 6,187                   |
| 6        | Cost per Mile  |                      |                                | 8,699 <sup>4/</sup>     | 8,960 <sup>5/</sup>     |
| 7        | Production \$ (Sum L5 x L6)                                    |                      |                                | \$ 48,356,464           | \$55,435,466            |
| 8        | Demand \$  |                      |                                | 2,159,025 <sup>6/</sup> | 2,222,716 <sup>7/</sup> |
| 9        | Herbicide \$   |                      |                                | 3,343,623 <sup>6/</sup> | 3,364,688 <sup>7/</sup> |
| 10       | Contract Inspectors \$   |                      |                                | 696,536 <sup>6/</sup>   | 710,467 <sup>7/</sup>   |
| 11       | Program Target \$ (Sum L7 through L10)                         |                      |                                | <u>\$ 54,555,648</u>    | <u>\$61,733,337</u>     |
| 12       | Adjusted VM program costs (Line 11 Col (e) less Col (d))       |                      |                                |                         | \$7,177,689             |
| 13       | NC Retail allocation   |                      |                                |                         | 73.6369% <sup>8/</sup>  |
| 14       | Total distribution vegetation management adjusment (L12 x L13) |                      |                                |                         | 5,285                   |
| 15       | Adjusted distribution VM per Company                           |                      |                                |                         | 5,490 <sup>9/</sup>     |
| 16       | Public Staff adjustment to VM (L14 - L15)                      |                      |                                |                         | <u>(\$205)</u>          |

- 1/ McManeus Exh bit 1, NC-2702, Column (a).  
2/ McManeus Exh bit 1, NC-2702, Column (b).  
3/ Column (a) divided by Column (b).  
4/ Per Company response to DR22-5.  
5/ Line 6, Column (c) increased by 3% as per Company adjustment.  
6/ McManeus Exh bit 1, NC-2702, Column (d).  
7/ McManeus Exh bit 1, NC-2702, Column (e).  
8/ Item 45a, SWPA, All - Dist Plt OH - DEC allocation factor.  
9/ McManeus Exh bit 1, NC-2701, Line 2, Total NC Retail Column.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO HYDRO STATION SALES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(e)**

| Line No. | Item   | Amount                   |
|----------|--|--------------------------|
| 1        | Impact to O&M NC Retail per Company                            | (\$1,560) <sup>1/</sup>  |
| 2        | Impact to O&M NC Retail per Public Staff                       | (1,556) <sup>2/</sup>    |
| 3        | Change to O&M (L2 - L1)  | <u>4</u>                 |
| 4        | Remove depreciation related to Hydro Sales per Company         | (1,440) <sup>1/</sup>    |
| 5        | Amortize Loss on Sale per Company                              | 3,213 <sup>1/</sup>      |
| 6        | Remove depreciation related to Hydro Sales per Public Staff    | (1,421) <sup>2/</sup>    |
| 7        | Amortize Loss on Sale per Public Staff                         | 1,123 <sup>3/</sup>      |
| 8        | Change to depreciation and amortization (L6 + L7 - L4 - L5)    | <u>(2,071)</u>           |
| 9        | Remove property taxes per Company                              | (193) <sup>1/</sup>      |
| 10       | Remove property taxes per Public Staff                         | (191) <sup>2/</sup>      |
| 11       | Change to remove property taxes (L10 - L9)                     | <u>2</u>                 |
| 12       | Total change to impact of O&M (L3 + L8 + L11)                  | <u>(\$2,065)</u>         |
| 13       | Remove hydro stations plant in service per Company             | (\$36,522) <sup>1/</sup> |
| 14       | Remove hydro stations plant in service per Public Staff        | (36,054) <sup>2/</sup>   |
| 15       | Change to plant in service (L14 - L13)                         | <u>468</u>               |
| 16       | Remove hydro station accumulated depreciation per Company      | 14,093 <sup>1/</sup>     |
| 17       | Remove hydro station accumulated depreciation per Public Staff | 13,912 <sup>2/</sup>     |
| 18       | Change to accumulated depreciation (L17 - L16)                 | <u>(181)</u>             |
| 19       | Impact to materials and Supplies per Company                   | (146) <sup>1/</sup>      |
| 20       | Impact to materials and supplies per Public Staff              | (144) <sup>2/</sup>      |
| 21       | Change in impact to materials and supplies (L20 - L19)         | <u>2</u>                 |
| 22       | Regulatory Asset loss on sale per Company                      | 19,280 <sup>1/</sup>     |
| 23       | Regulatory Asset loss on sale per Public Staff                 | 21,328 <sup>3/</sup>     |
| 24       | Change to regulatory asset loss on sale (L23 - L22)            | <u>2,048</u>             |
| 25       | Impact to ADIT per Company                                     | (\$4,502) <sup>1/</sup>  |
| 26       | Impact to ADIT per Public Staff                                | (\$4,980) <sup>2/</sup>  |
| 27       | Change in impact to ADIT (L26 - L27)                           | <u>(\$478)</u>           |
| 28       | Total change to rate base (L15 + L18 + L21 + L24 + L27)        | <u>\$1,860</u>           |

1/ E-1, Item 10, NC-3200, Total NC Retail Column.

2/ Updated NC-3201 to reflect SWPA allocation factors.

3/ Updated to reflect Company updates through 11/30/19, SWPA allocation factor, and amortization change to 20 years.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT FOR CHANGE IN DEPRECIATION RATES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(f)**

| Line No. | Item   | Total System<br>(a) | NC Retail Percentage<br>(b) | NC Retail Amount<br>(c)     |
|----------|--|---------------------|-----------------------------|-----------------------------|
|          | <u>Change in depreciation and amortization per Public Staff</u>                      |                     |                             |                             |
| 1        | Production   | \$63,243            | 66.5694%                    | \$42,100 <sup>3/</sup>      |
| 2        | Transmission   | 6,760               | 52.9563%                    | 3,580 <sup>3/</sup>         |
| 3        | Distribution   | (3,660)             | 73.9530%                    | (2,707) <sup>3/</sup>       |
| 4        | General  | (2,070)             | 68.6472%                    | (1,421) <sup>3/</sup>       |
| 5        | General amortization   | (3,748)             | 68.6472%                    | (2,573) <sup>3/</sup>       |
| 6        | Adjust to depr and amort for costs recovered through riders                          | (522)               | 66.5694%                    | (347) <sup>3/</sup>         |
| 7        | Public Staff adjustment to depreciation and amortization expense (Sum of L1 thru L6) | <u>\$60,003</u>     |                             | <u>38,979</u>               |
| 8        | Adjustment per Company   |                     |                             | <u>72,133</u> <sup>4/</sup> |
| 9        | Adjustment to depreciation and amortization expense (L7 - L8)                        |                     |                             | <u>(\$33,154)</u>           |
| 10       | Adjustment to accumulated depreciation (-L9)   |                     |                             | <u>\$33,154</u>             |

1/ Based on recommendation of Public Staff witness McCullar, adjused for Cliffside and Allen.

2/ McManeus Exhibit 1, NC-2601, Lines 3 thru 7, NC Retail Allocation Column.

3/ Column (a) times Column (b).

4/ McManeus Exhibit 1, NC-2601, Line 12, Total NC Retail Column.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO INCENTIVES**  
**For the Test Year Ended December 31, 2016**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(g)**

| Line No.                                | Item  | Amount                 |
|---|---|------------------------|
| <b>Short Term Incentive Plan (STIP)</b> |   |                        |
| 1                                       | Total Company STIP pay accrued expense associated with earnings per share (EPS)   | \$88,522 <sup>1/</sup> |
| 2                                       | Total Company STIP accrual  | 341,536 <sup>1/</sup>  |
| 3                                       | Percentage of STIP related to EPS (L1 / L2)                                       | <u>25.92%</u>          |
| 4                                       | STIP at target level associated with O&M expense per Company, net of Joint Owners | 89,320 <sup>2/</sup>   |
| 5                                       | Adjustment to remove STIP related to EPS outcomes - total system (-L3 x L4)       | <u>(23,151)</u>        |
| 6                                       | NC retail percentage  | 67.0892% <sup>3/</sup> |
| 7                                       | Adjustment to remove STIP related to EPS outcomes - NC retail (L5 x L6)           | <u>(15,532)</u>        |
| 8                                       | Executive STIP already removed in executive compensation adjustment               | 109 <sup>4/</sup>      |
| 9                                       | Adjustment to STIP (L7 + L8)  | <u>(\$15,423)</u>      |
| <b>Long Term Incentive Plan (LTIP)</b>  |   |                        |
| 10                                      | LTIP Performance Shares at target, net Joint Owners                               | \$9,762 <sup>5/</sup>  |
| 11                                      | Percentage associated with EPS and TSR  | <u>75.00%</u>          |
| 12                                      | Adjustment to remove LTIP associated with EPS and TSR - total system (-L10 x L11) | (7,321)                |
| 13                                      | NC retail percentage  | 67.0892% <sup>3/</sup> |
| 14                                      | Adjustment to remove LTIP associated with EPS and TSR - NC retail (L12 x L13)     | <u>(4,912)</u>         |
| 15                                      | Executive LTIP already removed in executive compensation adjustment               | 721 <sup>4/</sup>      |
| 16                                      | Adjustment to LTIP (L13 + L14)  | <u>(\$4,191)</u>       |
| 17                                      | Total adjustment to incentive pay (L9 + L15)                                      | <u>(\$19,614)</u>      |

- 1/ From Company Response to Public Staff Data Request No. 61, Item 10.  
2/ McManeus Exhibit 1, NC-1310, Line 13, net of Catawba Joint Owners.  
3/ E-1, Item 45a, DEC COS NC SWPA, All Labor Factor.  
4/ Based on executive compensation adjustment.  
5/ McManeus Exhibit 1, NC-1310-3, Line 13, Column (b), net of Catawba Joint Owners.

DUKE ENERGY CAROLINAS, LLC  
Docket No. E-7, Subs 1213 and 1214  
North Carolina Retail Operations  
**ADJUSTMENT TO EXECUTIVE COMPENSATION**  
For the Test Year Ended December 31, 2016  
(in Thousands)

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(h)**

| Line No. | Item  | Amount                        |
|----------|---|-------------------------------|
| 1        | Executive compensation for top 5 executives per Company                               | \$10,990 <sup>1/</sup>        |
| 2        | Inclusion of executive benefits in adjustment   | <u>685 <sup>2/</sup></u>      |
| 3        | Executive compensation subject to exclusion adjustment per Public Staff (L1 + L2)     | 11,675                        |
| 4        | Catawba reimbursement allocation rate   | 13.988% <sup>3/</sup>         |
| 5        | Non-ownership percentage in Catawba plant   | <u>80.754% <sup>4/</sup></u>  |
| 6        | Costs reimbursed by Catawba Joint Owners (L3 x L4 x L5)                               | 1,319                         |
| 7        | Compensation subject to exclusion after Joint Owners' Share (L3 - L6)                 | 10,356                        |
| 8        | NC retail Allocation Factor   | <u>67.0892% <sup>5/</sup></u> |
| 9        | NC retail portion of executive compensation subject to exclusion adjustment (L7 x L8) | 6,948                         |
| 10       | Exclusion percentage  | <u>50.00% <sup>6/</sup></u>   |
| 11       | Public Staff adjustment to exclude executive compensation (L9 x L10)                  | (3,474)                       |
| 12       | Adjustment per Company  | <u>(3,301) <sup>7/</sup></u>  |
| 13       | Adjustment to remove additional executive compensation (L11 - L12)                    | <u><u>(\$173)</u></u>         |

1/ NCUC Form E-1, Item No. 10, NC-0701, Line 2.

2/ From Company response to Public Staff Data Request No. 34, Item 3.

3/ NCUC Form E-1, Item No. 10, NC-0701, Line 5.

4/ NCUC Form E-1, Item No. 10, NC-0701, Line 6.

5/ NCUC Form E-1, Item No. 10, NC-0701, Line 10.

6/ NCUC Form E-1, Item No. 10, NC-0701, Line 12.

7/ NCUC Form E-1, Item No. 10, NC-0701, Line 13.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO AVIATION EXPENSES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(i)**

| Line No.                                | Item   | Amount                     |
|---|--|----------------------------|
| <b>Wages, benefits, materials, etc.</b> |  |                            |
| 1                                       | Corporate aviation O&M and depreciation expense                              | \$5,865 <sup>1/</sup>      |
| 2                                       | Percentage to be excluded per Public Staff                                   | 94.85% <sup>2/</sup>       |
| 3                                       | Corporate aviation expenses to be excluded per Public Staff (L1 x L2)        | <u>5,562</u>               |
| 4                                       | Specific charter flights to be excluded                                      | -                          |
| 5                                       | Total corporate aviation expenses to be excluded per Public Staff (L3 + L4)  | <u>5,562</u>               |
| 6                                       | Corporate aviation expenses to be excluded per Company                       | <u>2,932 <sup>3/</sup></u> |
| 7                                       | Additional aviation O&M expenses to be excluded (L5 - L6)                    | 2,630                      |
| 8                                       | NC retail percentage   | 67.0892% <sup>4/</sup>     |
| 9                                       | Public Staff adjustment to aviation O&M expenses (-L7 x L8)                  | <u><u>(\$1,764)</u></u>    |
| <b>General taxes</b>                    |  |                            |
| 10                                      | Corporate aviation general taxes   | \$81 <sup>5/</sup>         |
| 11                                      | Percentage to be excluded per Public Staff                                   | 94.85% <sup>2/</sup>       |
| 12                                      | Corporate aviation general taxes to be excluded per Public Staff (L10 x L11) | <u>77</u>                  |
| 13                                      | Corporate aviation general taxes to be excluded per Company                  | <u>41 <sup>6/</sup></u>    |
| 14                                      | Additional aviation general taxes to be excluded (L12 - L13)                 | 36                         |
| 15                                      | NC retail percentage   | 67.0892% <sup>4/</sup>     |
| 16                                      | Public Staff adjustment to aviation general taxes (-L14 x L15)               | <u><u>(\$24)</u></u>       |
| <b>Commercial flights</b>               |  |                            |
| 17                                      | International flight expense   | \$1,326 <sup>7/</sup>      |
| 18                                      | Allocation percentage from DEBS to DEC                                       | 35.41% <sup>8/</sup>       |
| 19                                      | International flight expense allocated to DEC (L17 x L18)                    | <u>470</u>                 |
| 20                                      | NC retail percentage   | 67.0892% <sup>4/</sup>     |
| 21                                      | Public Staff adjustment to O&M for commercial flights (-L19 x L20)           | <u><u>(\$315)</u></u>      |

- 1/ McManeus Exhibit 1, NC-1702, Line 29.  
2/ Calculated by Public Staff based on Company response to Public Staff DRs 29-4, 119, and 139.  
3/ McManeus Exhibit 1, NC-1702, Line 31.  
4/ Item 45a, SWPA, salaries and wages allocation factor.  
5/ McManeus Exhibit 1, NC-1702, Line 1, Total Duke Energy Carolinas Column.  
6/ McManeus Exhibit 1, NC-1702, Line 3, Total Duke Energy Carolinas Column.  
7/ Calculated by Public Staff based on Company response to Public Staff DRs 29-9.  
8/ Based on Company response to DR29-7b.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO OUTSIDE SERVICES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(j)**

| Line<br>No. | Item  | Amount                        |
|-------------|---|-------------------------------|
| 1           | Remove items related to non-legal invoices                        | (\$488) <sup>1/</sup>         |
| 2           | Remove items related to legal invoices                            | (298) <sup>1/</sup>           |
| 3           | Total Public Staff adjustment to outside services (L1 + L2 )      | <u>(786)</u>                  |
| 4           | NC retail percentage  | <u>67.0892% <sup>2/</sup></u> |
| 5           | Public Staff adjustment to outside services - NC retail (L3 x L4) | <u><u>(\$527)</u></u>         |

1/ Based on information provided by Company in response to DR140-1 and advice of legal counsel.

2/ E-1, Item No. 45A, SWPA Factor 59 - Labor (Wage and Salary Related Items).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO CREDIT CARD FEES**  
**For the Test Year Ended November 30, 2019**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(k)**

| Line<br>No. | Item   | Amount                      |
|-------------|--|-----------------------------|
| 1           | Annualized 2018 residential credit card transactions                                     | 5,433,635 <sup>1/</sup>     |
| 2           | Annualized 2019 residential credit card transactions                                     | 5,972,506 <sup>2/</sup>     |
| 3           | Increase in annualized residential credit card transactions (L2 - L1)                    | <u>538,871</u>              |
| 4           | Transaction fees included in COS for non-credit card transactions                        | <u>0.1990 <sup>3/</sup></u> |
| 5           | Remove O&M transaction costs included in COS and credit card adjustment (-L3 x L4 /1000) | <u><u>(\$107)</u></u>       |

1/ Per Company response to DR32-2.

2/ Per Company response to DR1-7, November 2019 update.

3/ Per Company response to DR105-2.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO STORM DEFERRAL**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(I)**

| Line No. | Item  | Amount                   |
|----------|---|--------------------------|
|          | Income Statement:   |                          |
| 1        | Impact to depreciation and amortization for storm deferral per Company        | \$24,179 <sup>1/</sup>   |
| 2        | Impact to depreciation and amortization to remove storm assets from rate base | (\$409) <sup>2/</sup>    |
| 3        | Impact to depreciation and amortization for storm deferral per Public Staff   | 0 <sup>3/</sup>          |
| 4        | Adjustment to depreciation and amortization for storm deferral (L3 +L1 + L2)  | <u>(\$24,588)</u>        |
|          | Rate Base:  |                          |
| 5        | Projected storm deferral balance per Company                                  | \$169,251 <sup>1/</sup>  |
| 6        | Projected storm deferral balance per Public Staff                             | - <sup>3/</sup>          |
| 7        | Adjustment to working capital for storm deferral (L6 - L5)                    | <u>(\$169,251)</u>       |
| 8        | Impact to ADIT for storm deferral per Company                                 | (\$39,520) <sup>1/</sup> |
| 9        | Impact to ADIT for storm deferral per Public Staff                            | - <sup>3/</sup>          |
| 10       | Adjustment to ADIT for storm deferral (L9 - L8)                               | <u>\$39,520</u>          |
| 11       | Adjustment to remove storm assets from rate base                              | (\$18,133) <sup>2/</sup> |
| 12       | Adjustment to remove accumulated depreciation for storm assets from rate base | 442 <sup>2/</sup>        |
| 13       | Adjustment to rate base to remove storm assets (L11 + L12)                    | <u>(\$17,691)</u>        |

1/ E-1, Item 10, NC-2901.

2/ Provided by Company.

3/ Public Staff recommendation to remove storm deferral for securitization.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO SPONSORSHIPS AND DONATIONS**  
**For the Test Year Ended December 31, 2016**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(m)**

| Line No. | Item   | Amount                        |
|----------|--|-------------------------------|
| 1        | Remove sponsorships and donations related to chambers of commerce                  | (\$268) <sup>1/</sup>         |
| 2        | Remove donations related to RIPON society and NC Chamber Foundation                | (13) <sup>2/</sup>            |
| 3        | Remove miscellaneous dues and contributions  | <u>(121) <sup>3/</sup></u>    |
| 4        | Total sponsorships and donations to be removed per Public Staff (L1 + L2 + L3)     | (402)                         |
| 5        | NC retail percentage   | <u>66.5694% <sup>4/</sup></u> |
| 6        | Public Staff adjustment to remove sponsorships and donations - NC retail (L4 x L5) | <u><u>(\$268)</u></u>         |

1/ From Company response to Public Staff Data Request No. 51, Item 3.

2/ From Company response to Public Staff Data Request No. 51, Item 4.

3/ Based on review of NCUC Form E-1, Item No. 16(c).

4/ COS SWPA Factor 1 - Demand

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO LOBBYING EXPENSE**  
**For the Test Year Ended December 31, 2016**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(n)**

| Line<br>No. | Item   | Amount                        |
|-------------|--|-------------------------------|
| 1           | Remove Stakeholder Engagement O&M charges related to lobbying      | (\$1,750) <sup>1/</sup>       |
| 2           | Remove State Government Affairs O&M charges related to lobbying    | (97) <sup>1/</sup>            |
| 3           | Remove Federal Affairs O&M charges related to lobbying             | <u>(1,505) <sup>1/</sup></u>  |
| 4           | Total lobbying costs to be removed from O&M expense (L1 + L2 + L3) | (3,352)                       |
| 5           | NC retail percentage   | <u>67.0892% <sup>2/</sup></u> |
| 6           | Public Staff adjustment to remove lobbying expense (L4 x L5)       | <u><u>(\$2,249)</u></u>       |

1/ Based on Company response to Public Staff Data Request No. 31, Items 3 and 4.

2/ COS SWPA Labor allocation factor.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO BOARD OF DIRECTORS EXPENSE**  
**For the Test Year Ended December 31, 2016**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(o)**

| Line No. | Item  | Amount                 |
|----------|---|------------------------|
| 1        | Total Board of Directors (BOD) cash compensation                              | \$645 <sup>1/</sup>    |
| 2        | Percentage of exclusion per Public Staff                                      | 50% <sup>2/</sup>      |
| 3        | Public Staff adjustment to BOD compensation (-L1 x L2)                        | <u>(323)</u>           |
| 4        | BOD insurance charged to DEC  | 4,659 <sup>3/</sup>    |
| 5        | Percentage of exclusion per Public Staff                                      | 50% <sup>2/</sup>      |
| 6        | Public Staff adjustment to BOD insurance (-L4 x L5)                           | <u>(2,330)</u>         |
| 7        | BOD and executive members expenses allocated to DEC                           | 357 <sup>4/</sup>      |
| 8        | Percentage of exclusion per Public Staff                                      | 50% <sup>2/</sup>      |
| 9        | Public Staff adjustment to BOD and executive members expenses (-L7 x L8)      | <u>(179)</u>           |
| 10       | Total Public Staff adjustment to BOD compensation and expenses (L3 + L6 + L9) | (2,832)                |
| 11       | NC retail percentage  | 66.5694% <sup>5/</sup> |
| 12       | Public Staff adjustment to BOD expenses - NC retail (L10 x L11)               | <u>(\$1,885)</u>       |

1/ Amount from 2018 Proxy Statement page 30, allocated to DEC.

2/ Recommended by Public Staff.

3/ Company Response to Public Staff Data Request No. 71, Item 1.

4/ Company Response to Public Staff Data Request No. 72, Item 2.

5/ COS SWPA Factor 1 - Demand Factor.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO ADVERTISING EXPENSE**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(p)**

| <u>Line<br/>No.</u> | <u>Item</u>  | <u>Amount</u>         |
|---------------------|--|-----------------------|
| 1                   | Remove Advertising Expenses Account 0913001 per Public Staff | (\$311)               |
| 2                   | Remove Advertising Expenses Account 0909650 per Public Staff | (43)                  |
| 3                   | Total advertising adjustment per Public Staff (L1 + L2)      | <u><u>(\$354)</u></u> |

1/ From Company response to Public Staff Data Request No. 50, Item 2.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO SALARIES AND WAGES**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(q)**

| Line No. | tem  | Duke Energy Carolinas<br>(a)  | Duke Energy Progress<br>(b)  | Service Company<br>(c)       | Total<br>(d)                  |
|----------|--|-------------------------------|------------------------------|------------------------------|-------------------------------|
| 1        | Labor per payroll company at November 30, 2019                     | \$797,343 <sup>1/</sup>       | \$440,736 <sup>1/</sup>      | \$753,843 <sup>1/</sup>      |                               |
| 2        | November 2019 allocation percentages                               | 83.13% <sup>1/</sup>          | 6.50% <sup>1/</sup>          | 25.27% <sup>1/</sup>         |                               |
| 3        | Annual salaries as of November 30, 2017 per Public Staff (L1 x L2) | <u>662,833</u>                | <u>28,628</u>                | <u>190,511</u>               |                               |
| 4        | Per books salaries   | <u>697,465</u> <sup>2/</sup>  | <u>29,217</u> <sup>2/</sup>  | <u>200,403</u> <sup>2/</sup> |                               |
| 5        | Adjustment to salaries and wages for employees per Public Staff    | <u>(34,632)</u>               | <u>(589)</u>                 | <u>(9,892)</u>               | (\$45,113) <sup>4/</sup>      |
| 6        | Company adjustment to salaries and wages for employees             | <u>(36,481)</u> <sup>3/</sup> | <u>(1,889)</u> <sup>3/</sup> | <u>325</u> <sup>3/</sup>     | (38,045) <sup>4/</sup>        |
| 7        | Adjustment to salaries and wages                                   | <u>\$1,849</u>                | <u>\$1,300</u>               | <u>(\$10,217)</u>            | <u>(7,068)</u>                |
| 8        | Public Staff adjustment to total salaries and wages (L7)           |                               |                              |                              | (7,068)                       |
| 9        | Percent charged to electric expense                                |                               |                              |                              | <u>66.83%</u> <sup>5/</sup>   |
| 10       | Adjustment to net electric O&M salaries and wages (L7 x L8)        |                               |                              |                              | <u>(4,723)</u>                |
| 11       | Adjustment to net electric O&M salaries and wages (L10)            |                               |                              |                              | (4,723)                       |
| 12       | Fringe benefits contribution rate                                  |                               |                              |                              | <u>10.46%</u> <sup>6/</sup>   |
| 13       | Adjustment to fringe benefits (L10 x L12)                          |                               |                              |                              | <u>(494)</u>                  |
| 14       | Total adjustment to O&M expense - total system (L10 + L13)         |                               |                              |                              | (5,217)                       |
| 15       | NC retail percentage   |                               |                              |                              | <u>67.0892%</u> <sup>7/</sup> |
| 16       | Total adjustment to O&M expense - NC retail (L14 x L15)            |                               |                              |                              | <u>(\$3,500)</u>              |
| 17       | Impact on payroll taxes before Medicare                            |                               |                              |                              | (\$250) <sup>8/</sup>         |
| 18       | Impact on Medicare payroll taxes                                   |                               |                              |                              | <u>(7)</u> <sup>9/</sup>      |
| 19       | Adjustment to payroll taxes - total system (L17 + L18)             |                               |                              |                              | (257)                         |
| 20       | NC retail percentage   |                               |                              |                              | <u>67.0892%</u> <sup>7/</sup> |
| 21       | Adjustment to payroll taxes - NC retail (L19 x L20)                |                               |                              |                              | <u>(\$172)</u>                |

1/ Per Company response to DR1-7, updated as of November 30, 2019.

2/ McManeus Exhibit 1, NC-1301, Labor per Books Column.

3/ McManeus Exhibit 1, NC-1301, Pro Forma HR Salaries Column.

4/ Sum of Columns (a) through Columns (c).

5/ McManeus Exhibit 1, NC-1301, Line 18.

6/ McManeus Exhibit 1, NC-1301, Line 37.

7/ E-1, Item 45a, DEC COS NC SWPA, All Labor Factor.

8/ Line 10 times 85.42% subject to OASDI times 6.2% OASDI tax rate from McManeus Exhibit 1, NC-1301.

9/ Line 10 times 1.45% Medicare tax rate from McManeus Exhibit 1, NC-1301.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO NORMALIZE STORM COSTS**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(r)**

| Line No. | Item   | Amount                        |
|----------|--|-------------------------------|
|          | <u>Normalized storm expense</u>  |                               |
| 1        | NC retail amount of storm costs considered normal for 2018                   | \$22,103 <sup>1/</sup>        |
| 2        | NC retail percentage   | 73.6369% <sup>2/</sup>        |
| 3        | 2018 storm costs to be included in calculation of normalized level (L1 / L2) | <u>30,016</u>                 |
| 4        | 2010 through 2019 costs adjusted for inflation, excluding 2018               | <u>250,780</u> <sup>3/</sup>  |
| 5        | Total storm costs for ten years adjusted for inflation (L3 + L4)             | 280,796                       |
| 6        | Number of years  | <u>10</u>                     |
| 7        | Normalized level of storm costs - total system (L5 x L6)                     | 28,080                        |
| 8        | NC retail percentage   | <u>73.6369%</u> <sup>2/</sup> |
| 9        | Normalized level of storm costs per Public Staff (L7 x L8)                   | 20,677                        |
| 10       | 2018 Storm costs   | <u>18,841</u>                 |
| 11       | Public Staff adjustment to normalized level of storm costs (L9 - L10)        | <u>1,836</u>                  |

1/ E-1, Item 10, NC-2905, Line 2, NC Retail column.

2/ SWPA allocation factor distribution overhead lines.

3/ Per Company response to DR46-1 and storm costs included in Sub 1146.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO REMOVE O&M RELATED TO RETIRED HYDRO UNITS**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(s)**

| Line<br>No. | Item   | Amount                 |
|-------------|--|------------------------|
| 1           | Non-payroll related O&M related to retired hyrdo units                       | \$150 <sup>1/</sup>    |
| 2           | NC retail allocation factor  | 66.5694% <sup>2/</sup> |
| 3           | Non-payroll related O&M NC retail  | 100                    |
| 4           | Amount removed by Company in current case                                    | 0 <sup>1/</sup>        |
| 5           | Adjusment to remove non-payroll O&M related to retired hydro units (L4 - L3) | <u><u>(\$100)</u></u>  |

1/ Based upon Company response to DR152-4.

2/ NC COS SWPA Production Demand factor.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO RATE CASE EXPENSE AND AMORTIZATION**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(t)**

| Line<br>No. | Item  | Amount                   |
|-------------|---|--------------------------|
|             | Income Statement Impact:  |                          |
| 1           | Actual rate case expense incurred through November 30, 2019             | \$2,330 <sup>1/</sup>    |
| 2           | Amortization period   | 5 <sup>2/</sup>          |
| 3           | Annual normalized level of rate case expense per Public Staff (L1 / L2) | <u>466</u>               |
| 4           | Annual normalized level of rate case expense per Company                | <u>801 <sup>3/</sup></u> |
| 5           | Adjustment to annual normalized rate case expense (L3 - L4)             | <u><u>(\$335)</u></u>    |
|             | Rate Base Impact:   |                          |
| 4           | Projected working capital after first year of amortization per Company  | \$3,080 <sup>3/</sup>    |
| 5           | Public Staff recommended regulatory asset amount for rate case expense  | <u>0</u>                 |
| 6           | Adjustment to rate base for rate case expense (L5 - L4)                 | <u><u>(\$3,080)</u></u>  |

1/ Based upon Company responses to DR25-1 and 2.

2/ E-1, Item 10, NC-1601, Line 5.

3/ E-1, Item 10, NC-1601, Line 17.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO SEVERANCE COSTS**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(u)**

| Line No.                        | Item  | Amount                        |
|---------------------------------|---|-------------------------------|
| <u>Income Statement Impact:</u> |   |                               |
| 1                               | Remove actual severance costs in 2018                                       | (\$102,108) <sup>1/</sup>     |
| 2                               | Annual amortization related to severance costs based on 5 year amortization | 20,394 <sup>2/</sup>          |
| 3                               | Total Carolinas adjustment to remove actual severance costs (L1 + L2)       | <u>(81,714)</u>               |
| 4                               | NC Retail Allocation factor   | 67.0892% <sup>3/</sup>        |
| 5                               | NC Retail adjustment to remove severance costs (L3 x L4)                    | (54,821)                      |
| 6                               | Company adjustment to O&M related to severance costs                        | <u>(46,208) <sup>4/</sup></u> |
| 7                               | Public Staff adjustment to O&M related to severance costs (L5 - L6)         | <u>(\$8,613)</u>              |
| <u>Rate Base Impact:</u>        |   |                               |
| 8                               | Impact to working capital investment per Company                            | \$46,113 <sup>5/</sup>        |
| 9                               | Impact to working capital investment per Public Staff                       | 0 <sup>6/</sup>               |
| 10                              | Adjustment to working capital investment (L9 - L8)                          | <u>(\$46,113)</u>             |
| 11                              | Impact to ADIT per Company  | (\$10,767) <sup>7/</sup>      |
| 12                              | Impact to ADIT per Public Staff   | 0 <sup>6/</sup>               |
| 13                              | Adjustment to ADIT (L12 - L11)  | <u>\$10,767</u>               |

1/ E-1, Item 10, NC-2001, updated to November 30, 2019 in Company response to DR1-7.  
2/ E-1, Item 10, NC-2002, Line 15, updated to November 30, 2019 and utilizing a 5 year amortization period.  
3/ E-1, Item 45A SWPA Labor allocation factor.  
4/ E-1, Item 10, NC-2001, Total NC Retail Column, Line 4.  
5/ E-1, Item 10, NC - 2001, NC Retail Column, Line 14.  
6/ Public Staff recommendation.  
7/ E-1, Item 10, NC - 2001, NC Retail Column, Line 17.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO COMPANY'S INFLATION ADJUSTMENT**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(v)**

| Line No. | Item  | Amount                      |
|----------|---|-----------------------------|
| 1        | Total non-labor O&M expense to be adjusted per Company                          | \$417,591 <sup>1/</sup>     |
| 2        | Remove uncollectibles adjusted elsewhere  | (12,692) <sup>2/</sup>      |
| 3        | Public Staff adjustment to variable O&M expenses for changes in customer growth | 2,355 <sup>3/</sup>         |
| 4        | Public Staff adjustment to aviation expense                                     | (2,079) <sup>4/</sup>       |
| 5        | Public Staff adjustment to outside services                                     | (527) <sup>5/</sup>         |
| 6        | Public Staff adjustment to sponsorships and donations                           | (268) <sup>6/</sup>         |
| 7        | Public Staff adjustment to advertising  | (354) <sup>7/</sup>         |
| 8        | Public Staff adjustment to retired hydro  | (100) <sup>8/</sup>         |
| 9        | Public Staff adjustment to lobbying   | (2,249) <sup>9/</sup>       |
| 10       | Public Staff adjustment to Board of Directors expenses                          | (1,885) <sup>10/</sup>      |
| 11       | Total adjusted O&M subject to inflation (Sum of L1 thru L10)                    | <u>399,792</u>              |
| 12       | Inflation percentage based on November 30, 2019 update                          | <u>1.73% <sup>11/</sup></u> |
| 13       | Public Staff inflation adjustment (L11 x L12)                                   | 6,916                       |
| 14       | Inflation adjustment per Company  | <u>2,631 <sup>12/</sup></u> |
| 15       | Public Staff adjustment to inflation adjustment (L13- L14)                      | <u><u>\$4,285</u></u>       |

- 1/ McManeus Exhibit 1, NC-1201, Line 26, Column (c).
- 2/ E-1, Item No. 45A, SWPA, Account 904 - Uncollectible Accounts, Line 238, NC Retail amount.
- 3/ Boswell Exhibit 1, Schedule 3-1(c), Line 15.
- 4/ Boswell Exhibit 1, Schedule 3-1(i), Line 9 plus Line 21.
- 5/ Boswell Exhibit 1, Schedule 3-1(j), Line 5.
- 6/ Boswell Exhibit 1, Schedule 3-1(m), Line 6.
- 7/ Boswell Exhibit 1, Schedule 3-1(p), Line 3.
- 8/ Boswell Exhibit 1, Schedule 3-1(p), Line 3.
- 9/ Boswell Exhibit 1, Schedule 3-1(n), Line 6.
- 10/ Boswell Exhibit 1, Schedule 3-1(o), Line 12.
- 11/ Boswell Exhibit 1, Schedule 3-1(v)(1), Column (e), Line 4.
- 12/ McManeus Exhibit 1, NC-1201, Line 28, Column (c).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF INFLATION RATE**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(v)(1)**

| Line No. | Item   | CPI<br>(a)            | PPI<br>Finished<br>Goods Less<br>Food &<br>Energy<br>(b) | PPI<br>Processed<br>Materials<br>Less Food &<br>Energy<br>(c) | PPI<br>Average<br>(d) | Inflation<br>Rate<br>(e)   |
|----------|--|-----------------------|--|---|-----------------------|----------------------------|
| 1        | November 2019                                    | 257.208 <sup>1/</sup> | 208.7 <sup>1/</sup>                                      | 199.5 <sup>1/</sup>   |                       |                            |
| 2        | Thirteen month average for test year             | 250.8 <sup>2/</sup>   | 203.2 <sup>2/</sup>                                      | 201.4 <sup>2/</sup>   |                       |                            |
| 3        | Increase from average to November 2017 (L1 - L2) | 6.4                   | 5.5  | (1.9)   |                       |                            |
| 4        | Percentage increase                              | 2.56% <sup>3/</sup>   | 2.71% <sup>3/</sup>                                      | -0.94% <sup>3/</sup>  | 0.89% <sup>4/</sup>   | <u>1.73% <sup>5/</sup></u> |

1/ Based on information from Bureau of Labor & Statistics, provided in response to Public Staff Data Request No. 62, Items 7, 8, and 9.

2/ McManeus Exhibit 1, NC-1202, Line 15.

3/ Line 3 divided by Line 2.

4/ Average of percentage increases in Columns (b) and (c).

5/ Average of CPI percentage increase and PPI average percentage increase in Columns (a) and (d).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**ADJUSTMENT TO FLOWBACK PROTECTED EDIT DUE**  
**TO TAX CUTS AND JOBS ACT**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(w)**

| Line No. | Item   | Amount                        |
|----------|--|-------------------------------|
| 1        | <u>Inocme statement</u>  |                               |
| 2        | Regulatory liabilty for federal tax change related to protected EDIT - NC retail | (\$1,224,087) <sup>1/</sup>   |
| 3        | Amortization percentage for 2017   | <u>2.53% <sup>2/</sup></u>    |
| 4        | Annual amortization of protected EDIT - NC retail (L2 x L3)                      | (30,969)                      |
| 5        | Income tax impact  | <u>7,231 <sup>3/</sup></u>    |
| 6        | Annual amortization of protected EDIT - NC retail, net of tax (L4 + L5)          | <u><u>(\$23,738)</u></u>      |
| 7        | <u>Rate base</u>   |                               |
| 8        | Adjustment to regulatory assets and liabilities (L4)                             | \$30,969                      |
| 9        | Composite income tax rate  | <u>23.3503% <sup>4/</sup></u> |
| 10       | Impact to accumulated deferred income taxes (L8 x L9)                            | (7,231)                       |
| 11       | Adjustment to rate base (L8 + L10)   | <u><u>\$23,738</u></u>        |

1/ McManeus Exhibit 4, Column (a), Line 10.

2/ McManeus Exhibit 4, Column (a), Line 9.

3/ Line 4 times composite income tax rate on Line 11.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**INTEREST SYNCHRONIZATION ADJUSTMENT**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(x)**

| Line No. | Item  | Amount                        |
|----------|---|-------------------------------|
| 1        | Public Staff original cost rate base                              | \$16,252,317 <sup>1/</sup>    |
| 2        | Public Staff long term debt ratio                                 | 50.000% <sup>2/</sup>         |
| 3        | Public Staff embedded cost of debt                                | <u>4.510% <sup>3/</sup></u>   |
| 4        | Public Staff interest expense income tax deduction (L1 x L2 x L3) | 366,490                       |
| 5        | Company interest expense income tax deduction                     | <u>327,806 <sup>4/</sup></u>  |
| 6        | Adjustment to interest expense (L4 - L5)                          | 38,684                        |
| 7        | Composite tax rate  | <u>23.3503% <sup>5/</sup></u> |
| 8        | Adjustment to income taxes (-L6 x L7)                             | <u><u>(\$9,033)</u></u>       |

1/ Boswell Exhibit 1, Schedule 2, Line 12, Column (c).

2/ Boswell Exhibit 1, Schedule 4, Line 1, Column (a).

3/ Boswell Exhibit 1, Schedule 4, Line 1, Column (c).

4/ Boswell Exhibit 1, Schedule 3-1(x)(1), Line 4.

5/ Boswell Exhibit 1, Schedule 1-3, Line 8.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF COMPANY'S INTEREST**  
**SYNCHRONIZATION ADJUSTMENT**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 3-1(x)(1)**

| Line<br>No. | Item  | Amount                      |
|-------------|---|-----------------------------|
| 1           | NC retail rate base per Company                   | \$15,464,742 <sup>1/</sup>  |
| 2           | Long term debt ratio per Company                  | 47.000% <sup>2/</sup>       |
| 3           | Long term debt cost rate per Company              | <u>4.510% <sup>3/</sup></u> |
| 4           | Interest tax deduction per Company (L1 x L2 x L3) | <u><u>\$327,806</u></u>     |

1/ Boswell Exhibit 1, Schedule 2, Line 12, Column (a).

2/ McManeus Revised Supplemental Exhibit 1, Page 136, NC-3201(C), Line 6.

3/ McManeus Revised Supplemental Exhibit 1, Page 136, NC-3201(C), Line 9.

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**RETURN ON EQUITY AND ORIGINAL COST RATE BASE BEFORE AND**  
**AFTER PUBLIC STAFF PROPOSED DECREASE**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 4**

| Line No. | Item            | Capitalization Ratio<br>(a) | Before Public Staff Proposed Decrease |                                |                                | After Public Staff Proposed Decrease |                                    |                                |                                |                             |
|----------|-----------------|-----------------------------|---------------------------------------|--------------------------------|--------------------------------|--------------------------------------|------------------------------------|--------------------------------|--------------------------------|-----------------------------|
|          |                 |                             | NC Retail Rate Base<br>(b)            | Embedded Cost or Return<br>(c) | Weighted Cost or Return<br>(d) | Net Operating Income<br>(e)          | NC Retail Rate Base<br>(f)         | Embedded Cost or Return<br>(g) | Weighted Cost or Return<br>(h) | Net Operating Income<br>(i) |
| 1        | Long-term debt  | 50.000% <sup>1/</sup>       | \$8,126,159 <sup>2/</sup>             | 4.510% <sup>1/</sup>           | 2.26% <sup>5/</sup>            | \$366,490 <sup>6/</sup>              | \$8,129,749 <sup>9/</sup>          | 4.510% <sup>1/</sup>           | 2.26% <sup>11/</sup>           | \$366,652 <sup>12/</sup>    |
| 2        | Common equity   | 50.000% <sup>1/</sup>       | 8,126,159 <sup>2/</sup>               | 8.38% <sup>4/</sup>            | 4.19% <sup>5/</sup>            | 680,995 <sup>7/</sup>                | 8,129,749 <sup>9/</sup>            | 9.00% <sup>1/</sup>            | 4.50% <sup>11/</sup>           | 731,677 <sup>12/</sup>      |
| 3        | Total (L1 + L2) | <u>100.000%</u>             | <u>\$16,252,317</u> <sup>3/</sup>     |                                | <u>6.45%</u>                   | <u>\$1,047,485</u> <sup>8/</sup>     | <u>\$16,259,498</u> <sup>10/</sup> |                                | <u>6.76%</u>                   | <u>\$1,098,329</u>          |

- 1/ Per Public Staff witness Woolridge.
- 2/ Column (b), Line 3 times Column (a)
- 3/ Boswell Exhibit 1, Schedule 2, Line 12, Column (c).
- 4/ Column (e) divided by Column (b).
- 5/ Column (a) times Column (c).
- 6/ Column (b) times Column (c).
- 7/ Line 3, Column (e) minus Line 1, Column (e).
- 8/ Boswell Exhibit 1, Schedule 3, Line 16, Column (c).
- 9/ Column (f), Line 3 times Column (a)
- 10/ Boswell Exhibit 1, Schedule 2, Line 12, Column (e).
- 11/ Column (a) times Column (g).
- 12/ Column (f) times Column (g).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**

**Public Staff**  
**Boswell Exhibit 1**  
**Schedule 5**

**CALCULATION OF PUBLIC STAFF'S ADDITIONAL GROSS**  
**REVENUE REQUIREMENT**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

| Line<br>No. | Item   | Debt<br>(a)                    | Equity<br>(b)                  | Total<br>(c) <sup>7/</sup> |
|-------------|--|--------------------------------|--------------------------------|----------------------------|
|             | <u>Calculation of additional gross revenue requirement</u> |                                |                                |                            |
| 1           | Required net operating income                              | \$366,652 <sup>1/</sup>        | \$731,677 <sup>4/</sup>        | \$1,098,329                |
| 2           | Net operating income before proposed increase              | <u>\$366,490 <sup>2/</sup></u> | <u>680,995 <sup>5/</sup></u>   | <u>1,047,485</u>           |
| 3           | Additional net operating income requirement (L1 - L2)      | 162                            | 50,682                         | 50,844                     |
| 4           | Retention factor   | <u>0.9962055 <sup>3/</sup></u> | <u>0.7635890 <sup>6/</sup></u> |                            |
| 5           | Additional revenue requirement (L3 / L4)                   | <u>\$163</u>                   | <u>\$66,373</u>                | <u>\$66,536</u>            |

- 1/ Boswell Exhibit 1, Schedule 4, Line 1, Column (i).  
2/ Boswell Exhibit 1, Schedule 4, Line 1, Column (e).  
3/ Boswell Exhibit 1, Schedule 1-2, Line 10.  
4/ Boswell Exhibit 1, Schedule 4, Line 2, Column (i).  
5/ Boswell Exhibit 1, Schedule 4, Line 2, Column (e).  
6/ Boswell Exhibit 1, Schedule 1-2, Line 14.  
7/ Column (a) plus Column (b).



## INDEX TO BOSWELL EXHIBIT 2

|   | <u>Title</u>   | <u>Schedule<br/>Number</u> |
|---|--|----------------------------|
| 1 | CALCULATION OF LEVELIZED FEDERAL UNPROTECTED EDIT RIDER CREDIT | 1                          |
| 2 | CALCULATION OF ANNUITY FACTOR FOR EDIT LIABILITY RIDER         | 1(a)                       |
| 3 | CALCULATION OF LEVELIZED FEDERAL PROVISIONAL EDIT RIDER CREDIT | 2                          |
| 4 | CALCULATION OF ANNUITY FACTOR FOR EDIT LIABILITY RIDER         | 2(a)                       |
| 5 | CALCULATION OF LEVELIZED STATE EDIT RIDER CREDIT               | 3                          |

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF LEVELIZED FEDERAL UNPROTECTED**  
**EDIT RIDER CREDIT**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 2**  
**Schedule 1**

| Line No. | Item   | Year 1<br>Revenue<br>Requirement<br>(a) | Year 2<br>Revenue<br>Requirement<br>(b) | Year 3<br>Revenue<br>Requirement<br>(c) | Year 4<br>Revenue<br>Requirement<br>(d) | Year 5<br>Revenue<br>Requirement<br>(e) | Total<br>Revenue<br>Requirement<br>(f) |
|----------|--|---|---|---|---|---|--|
| 1        | Total NC retail regulatory liability to be amortized | (\$1,031,490) <sup>1/</sup>             |  |
| 2        | Annuity factor                                       | 4.3166 <sup>2/</sup>                    |  |
| 3        | Levelized rider EDIT regulatory liability (L1 / L2)  | (238,959)                               | (238,959)                               | (238,959)                               | (238,959)                               | (238,959)                               | (\$1,194,795) <sup>5/</sup>            |
| 4        | One minus composite income tax rate                  | 76.6497% <sup>3/</sup>                  | 76.6497%                               |
| 5        | Net operating income effect (L3 x L4)                | (183,161)                               | (183,161)                               | (183,161)                               | (183,161)                               | (183,161)                               | (915,807)                              |
| 6        | Retention factor                                     | 0.7635890 <sup>4/</sup>                 | 0.7635890                              |
| 7        | Levelized rider EDIT credit (L5 / L6)                | <u>(\$239,869)</u>                      | <u>(\$239,869)</u>                      | <u>(\$239,869)</u>                      | <u>(\$239,869)</u>                      | <u>(\$239,869)</u>                      | <u>(\$1,199,345)</u>                   |

- 1/ McManeus Exh bit 4,, Columns (b) and (c), Line 10.
- 2/ Boswell Exhibit 2, Schedule 1(a), Line 6.
- 3/ One minus composite income tax rate of 23.3503%.
- 4/ Boswell Exhibit 1, Schedule 1-2, Line 14, Column (d).
- 5/ Sum of Columns(a) through (e).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF ANNUITY FACTOR FOR EDIT**  
**LIABILITY RIDER**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 2**  
**Schedule 1(a)**

| Line No.              | Item   | Amount          |
|-----------------------|--|-----------------|
| <u>Annuity Factor</u> |  |                 |
| 1                     | Number of years  | 5 <sup>1/</sup> |
| 2                     | Payment per period   | 1               |
| 3                     | After tax rate of return (L9)  | 6.228%          |
| 4                     | Present value of 1 dollar over number of years with<br>with 1 payment per year | 4.1864          |
| 5                     | 1 plus (interest rate divided by two)  | 1.0311          |
| 6                     | Annuity factor (L4 x L5)   | <u>4.3166</u>   |

|                                 | Capital<br>Structure<br>(a) | Cost<br>Rates<br>(b) | Overall<br>Rate of<br>Return <sup>6/</sup><br>(c) | Net of Tax<br>Rate<br>(d) |
|---------------------------------|-----------------------------|----------------------|---|---------------------------|
| <u>After Tax Rate of Return</u> |                             |                      |   |                           |
| 7                               | 50.00% <sup>2/</sup>        | 4.510% <sup>4/</sup> | 2.255%  | 1.728% <sup>7/</sup>      |
| 8                               | 50.00% <sup>3/</sup>        | 9.000% <sup>5/</sup> | 4.500%  | 4.500% <sup>8/</sup>      |
| 9                               | <u>100.00%</u>              |                      | <u>6.755%</u>                                     | <u>6.228%</u>             |

- 1/ Rider period recommended by Public Staff.
- 2/ Boswell Exhibit 1, Schedule 4, Line 1, Column (a).
- 3/ Boswell Exhibit 1, Schedule 4, Line 2, Column (a).
- 4/ Boswell Exhibit 1, Schedule 4, Line 1, Column (g).
- 5/ Boswell Exhibit 1, Schedule 4, Line 2, Column (g).
- 6/ Column (a) times Column (b).
- 7/ Column (c) times (1 minus combined income tax rate of 23.3503%).
- 8/ Amount from Column (c).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF LEVELIZED FEDERAL PROVISIONAL**  
**EDIT RIDER CREDIT**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 2**  
**Schedule 2**

| Line<br>No. | Item   | Year 1<br>Revenue<br>Requirement<br>(a) | Total<br>Revenue<br>Requirement<br>(b) |
|-------------|--|---|--|
| 1           | Total NC retail regulatory liability to be amortized | (\$121,053) <sup>1/</sup>               |  |
| 2           | Annuity factor                                       | 0.9707 <sup>2/</sup>                    |  |
| 3           | Levelized rider EDIT regulatory liability (L1 / L2)  | <u>(124,707)</u>                        | (\$124,707)                            |
| 4           | One minus composite income tax rate                  | <u>76.6497% <sup>3/</sup></u>           | <u>76.6497%</u>                        |
| 5           | Net operating income effect (L3 x L4)                | (95,588)                                | (95,588)                               |
| 6           | Retention factor                                     | <u>0.7635890 <sup>4/</sup></u>          | <u>0.7635890</u>                       |
| 7           | Levelized rider EDIT credit (L5 / L6)                | <u><u>(\$125,183)</u></u>               | <u><u>(\$125,183)</u></u>              |

- 1/ McManeus Exhibit 4,, Column (e), Line 10.
- 2/ Boswell Exhibit 2, Schedule 2(a), Line 6.
- 3/ One minus composite income tax rate of 23.3503%.
- 4/ Boswell Exhibit 1, Schedule 1-2, Line 14, Column (d).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**  
**CALCULATION OF ANNUITY FACTOR FOR EDIT**  
**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

**Public Staff**  
**Boswell Exhibit 2**  
**Schedule 2(a)**

| Line No. | Item   | Amount          |
|----------|--|-----------------|
|          | <u>Annuity Factor</u>  |                 |
| 1        | Number of years  | 1 <sup>1/</sup> |
| 2        | Payment per period   | 1               |
| 3        | After tax rate of return (L9)  | 6.228%          |
| 4        | Present value of 1 dollar over number of years with<br>with 1 payment per year | 0.9414          |
| 5        | 1 plus (interest rate divided by two)  | 1.0311          |
| 6        | Annuity factor (L4 x L5)   | <u>0.9707</u>   |

|   | Capital<br>Structure<br>(a)     | Cost<br>Rates<br>(b) | Overall<br>Rate of<br>Return <sup>6/</sup><br>(c) | Net of Tax<br>Rate<br>(d) |
|---|---------------------------------|----------------------|---|---------------------------|
|   | <u>After Tax Rate of Return</u> |                      |   |                           |
| 7 | 50.00% <sup>2/</sup>            | 4.510% <sup>4/</sup> | 2.255%  | 1.728% <sup>7/</sup>      |
| 8 | 50.00% <sup>3/</sup>            | 9.000% <sup>5/</sup> | 4.500%  | 4.500% <sup>8/</sup>      |
| 9 | <u>100.00%</u>                  |                      | <u>6.755%</u>                                     | <u>6.228%</u>             |

- 1/ Rider period recommended by Public Staff.
- 2/ Boswell Exhibit 1, Schedule 4, Line 1, Column (a).
- 3/ Boswell Exhibit 1, Schedule 4, Line 2, Column (a).
- 4/ Boswell Exhibit 1, Schedule 4, Line 1, Column (g).
- 5/ Boswell Exhibit 1, Schedule 4, Line 2, Column (g).
- 6/ Column (a) times Column (b).
- 7/ Column (c) times (1 minus combined income tax rate of 23.3503%).
- 8/ Amount from Column (c).

**DUKE ENERGY CAROLINAS, LLC**  
**Docket No. E-7, Subs 1213 and 1214**  
**North Carolina Retail Operations**

**Public Staff**  
**Boswell Exhibit 2**  
**Schedule 3**

**CALCULATION OF LEVELIZED STATE EDIT RIDER CREDIT**

**For the Test Year Ended December 31, 2018**  
**(in Thousands)**

| Line No. | Item   | Year 1<br>Revenue<br>Requirement<br>(a) | Total<br>Revenue<br>Requirement<br>(b) |
|----------|--|---|--|
| 1        | Total NC retail regulatory liability to be amortized | (\$34,341) <sup>1/</sup>                |  |
| 2        | Annuity factor                                       | 0.9707 <sup>2/</sup>                    |  |
| 3        | Levelized rider EDIT regulatory liability (L1 / L2)  | <u>(35,378)</u>                         | (\$35,378)                             |
| 4        | One minus composite income tax rate                  | <u>76.6497% <sup>3/</sup></u>           | <u>76.6497%</u>                        |
| 5        | Net operating income effect (L3 x L4)                | (27,117)                                | (27,117)                               |
| 6        | Retention factor                                     | <u>0.7635890 <sup>4/</sup></u>          | <u>0.7635890</u>                       |
| 7        | Levelized rider EDIT credit (L5 / L6)                | <u><u>(\$35,513)</u></u>                | <u><u>(\$35,513)</u></u>               |

- 1/ McManeus Exhibit 4, Column (d), Line 10.
- 2/ Boswell Exhibit 2, Schedule 2(a), Line 6.
- 3/ One minus composite income tax rate of 23.3503%.
- 4/ Boswell Exhibit 1, Schedule 1-2, Line 14, Column (d).