

DUKE ENERGY CAROLINAS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 7,273,365	\$ 4,904,084	\$ (142,660)	\$ 4,761,424	\$ 445,331	\$ 5,206,755
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,504,692	989,374	168,854	1,158,228	-	1,158,228
3	Purchased power	317,798	194,348	(170,936)	23,412	-	23,412
4	Other operation and maintenance expense	2,029,601	1,375,939	(205,547)	1,170,392	1,691	1,172,083
5	Depreciation and amortization	1,193,762	838,805	358,330	1,197,135	-	1,197,135
6	General taxes	291,829	194,681	12,832	207,513	-	207,513
7	Interest on customer deposits	8,169 (b)	7,130	-	7,130	-	7,130
8	Net income taxes	340,714	224,997	(59,918)	165,080	103,355	268,435
9	Amortization of investment tax credit	(5,259)	(3,526)	690	(2,836)	-	(2,836)
10	Total electric operating expenses	5,681,305	3,821,748	104,306	3,926,054	105,046	4,031,100
11	Operating income	<u>\$ 1,592,059</u>	<u>\$ 1,082,336</u>	<u>\$ (246,966)</u>	<u>\$ 835,370</u>	<u>\$ 340,285</u>	<u>\$ 1,175,655</u>
12	Original cost rate base (e)	<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 908,092 (d)</u>	<u>\$ 15,464,742</u>	<u>\$ 47,878 (f)</u>	<u>\$ 15,512,620</u>
13	Rate of return on North Carolina retail rate base		<u>7.44%</u>		<u>5.40%</u>		<u>7.58%</u>

Notes: (a) From Form E-1 Item 45A

(b) Reclassifies interest on customer deposits to electric operating expense.

(c) From Page 3, Line 35.

(d) From Page 4, Line 9.

(e) From Page 2.

(f) Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY CAROLINAS, LLC
 CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
 Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 10,993,064	47.00%	\$ 7,268,429	4.51%	\$ 327,806	\$ 7,290,932	4.51%	\$ 328,821
2	Members' equity (a)	11,682,367	53.00%	8,196,313	6.19%	507,564	8,221,689	10.30%	846,834
3	Total	<u>\$ 22,675,431</u>	<u>100.00%</u>	<u>\$ 15,464,742</u> (b)		<u>\$ 835,370</u> (c)	<u>\$ 15,512,620</u> (b)		<u>\$ 1,175,655</u>
4	Operating income before increase (Line 3, Column 5)								835,370
5	Additional operating income required (Line 3 minus Line 4)								340,285
6	Calculate income tax on incremental interest expense due to increase in cash working capital in proposed revenue								(237)
7	Regulatory fee (.12967%), uncollectibles rate (.2501%) and income taxes (23.3503%)								105,283
8	Additional revenue requirement								<u>\$ 445,331</u>

Notes: (a) The equivalent of common equity for a limited liability company.

(b) From Page 1, Line 12, Column 4 and Column 6.

(c) From Page 1, Line 11, Column 4.

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	Amortization of ITC (Col. 8)	Operating Income
1	Annualize retail revenues for current rates	\$ (110,407)	\$ -	\$ -	\$ (826)	\$ -	\$ -	\$ (25,588)	\$ -	(83,994)
2	Update fuel costs to proposed rate	-	209,105	(169,854)	(21,892)	(3,277)	-	(3,288)	-	(10,794)
3	Normalize for weather	(109,566)	(26,163)	-	(416)	-	-	(19,378)	-	(63,609)
4	* Annualize revenues for customer growth	9,942	2,775	-	39	-	-	1,664	-	5,464
5	Eliminate unbilled revenues	26,204	-	-	-	-	-	6,119	-	20,085
6	Adjust for costs recovered through non-fuel riders	50,669	(16,862)	(1,082)	(117,348)	(3,071)	(10)	60,905	-	128,138
7	Adjust O&M for executive compensation	-	-	-	(3,301)	-	-	771	-	2,530
8	Annualize depreciation on year end plant balances	-	-	-	-	59,172	-	(13,817)	690	(46,045)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	7,470	(1,744)	-	(5,725)
10	* Adjust for post test year additions to plant in service	-	-	-	-	50,629	6,771	(13,403)	-	(43,998)
11	* Amortize deferred environmental costs	-	-	-	-	95,913	-	(22,396)	-	(73,517)
12	Annualize O&M non-labor expenses	-	-	-	2,631	-	-	(614)	-	(2,017)
13	* Normalize O&M labor expenses	-	-	-	(23,765)	-	(1,162)	5,820	-	19,106
14	Update benefits costs	-	-	-	(1,433)	-	-	335	-	1,099
15	* Levelize nuclear refueling outage costs	-	-	-	(2,138)	-	-	499	-	1,639
16	* Amortize rate case costs	-	-	-	801	-	-	(187)	-	(614)
17	Adjust aviation expenses	-	-	-	(1,986)	-	(27)	470	-	1,543
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,408	62,706	56	(14,984)	-	(49,187)
19	* Adjust for Merger Related Costs	-	-	-	(5,530)	(21)	(73)	1,313	-	4,311
20	* Amortize Severance Costs	-	-	-	(46,208)	-	-	10,790	-	35,418
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	(2,707)	-	2,707
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(2,580)	-	2,580

DUKE ENERGY CAROLINAS, LLC
 DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
 Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	Amortization of ITC (Col. 8)	Operating Income
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	-	-	-	103	-	(103)
24	Adjust coal inventory	-	-	-	-	-	-	-	-	-
25	* Adjust for credit card fees	-	-	-	8,774	-	-	(2,049)	-	(6,725)
26	Adjust Depreciation for new rates	-	-	-	-	72,133	-	(16,843)	-	(55,290)
27	Adjust vegetation management expenses	-	-	-	7,739	-	-	(1,807)	-	(5,932)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(1,808)	-	422	-	1,386
29	Update deferred balance and amortize storm costs	-	-	-	-	24,179	-	(5,646)	-	(18,533)
30	Adjust Other Revenue	(9,502)	-	-	(36)	-	-	(2,210)	-	(7,256)
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	(500)	-	-	117	-	383
32	* Adjust for Hydro Stations Sale	-	-	-	(1,560)	1,773	(193)	(5)	-	(16)
33										
34										
35	Total adjustments	<u>\$ (142,660)</u>	<u>\$ 168,854</u>	<u>\$ (170,936)</u>	<u>\$ (205,547)</u>	<u>\$ 358,330</u>	<u>\$ 12,832</u>	<u>\$ (59,918)</u>	<u>\$ 690</u>	<u>\$ (246,966)</u>

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

DUKE ENERGY CAROLINAS, LLC
 DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
 Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	109,581	-	109,581
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	14,082	-	14,082
3	Normalize for weather	-	-	-	-	-	-	-	-	82,987	-	82,987
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	(7,128)	-	(7,128)
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	(26,204)	-	(26,204)
6	Adjust for costs recovered through non-fuel riders	(18,328)	4,243	(42,354)	(19,404)	12,472	-	-	(63,371)	(167,173)	(5,857)	(173,030)
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	(3,301)	-	(3,301)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	60,072	-	60,072
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	7,470	-	7,470
10	* Adjust for post test year additions to plant in service	1,355,958	(619,363)	-	(4,945)	(17,144)	-	-	714,506	57,401	66,033	123,433
11	* Amortize deferred environmental costs	-	-	-	383,653	(89,584)	-	-	294,069	95,913	27,177	123,090
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	2,631	-	2,631
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	(24,926)	-	(24,926)
14	Update benefits costs	-	-	-	-	-	-	-	-	(1,433)	-	(1,433)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	(2,138)	-	(2,138)
16	* Amortize rate case costs	-	-	-	3,080	(719)	-	-	2,361	801	218	1,019
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	(2,013)	-	(2,013)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(139,897)	32,666	-	-	(107,231)	64,171	(9,910)	54,261
19	* Adjust for Merger Related Costs	-	338	-	-	-	-	-	338	(5,624)	31	(5,592)
20	* Amortize Severance Costs	-	-	-	46,113	(10,767)	-	-	35,345	(46,208)	3,266	(42,941)
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	(3,532)	-	(3,532)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	(3,366)	-	(3,366)

DUKE ENERGY CAROLINAS, LLC
 DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
 Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
 (Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	(20,794)	-	-	-	(20,794)	134	(1,922)	(1,787)
24	Adjust coal inventory	-	-	3,848	-	-	-	-	3,848	-	356	356
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	8,774	-	8,774
26	Adjust Depreciation for new rates	-	(72,913)	-	-	-	-	-	(72,913)	72,133	(6,738)	65,395
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	7,739	-	7,739
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	(1,808)	-	(1,808)
29	Update deferred balance and amortize storm costs	-	-	-	169,251	(39,520)	-	-	129,730	24,179	11,989	36,168
30	Adjust Other Revenue	-	-	-	-	-	-	-	-	9,466	-	9,466
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	-	-	-	-	-	(500)	-	(500)
32	* Adjust for Hydro Stations Sale	(36,522)	14,093	(146)	19,280	(4,502)	-	-	(7,797)	20	(721)	(700)
33												
34												
35	Total adjustments	<u>\$ 1,301,107</u>	<u>\$ (673,602)</u>	<u>\$ (38,652)</u>	<u>\$ 436,337</u>	<u>\$ (117,099)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 908,092</u>	<u>\$ 322,201</u>	<u>\$ 83,923</u>	<u>\$ 406,124</u>

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

DUKE ENERGY CAROLINAS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
Docket No. E-7, Sub 1214 DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 41,057,320	\$ 27,969,103	\$ 1,301,107	\$ 29,270,210
2	Less: Accumulated depreciation and amortization	4b	<u>(15,830,487)</u>	<u>(10,810,668)</u>	<u>(673,602)</u>	<u>(11,484,270)</u>
3	Net electric plant		25,226,833	17,158,435	627,506	17,785,940
4	Add: Materials and supplies	4c	994,443	678,077	(38,652)	639,426
5	Working capital investment	4d	(406,979)	(253,955)	436,337	182,381
6	Less: Accumulated deferred taxes		(3,824,449)	(2,601,854)	(117,099)	(2,718,952)
7	Operating reserves		(628,321)	(424,053)	-	(424,053)
8	Construction work in progress		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
9	Total		<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 908,092</u>	<u>\$ 15,464,742</u>

DUKE ENERGY CAROLINAS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
Docket No. E-7, Sub 1214 DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 22,181,205	\$ 14,978,527	\$ 440,620	\$ 15,419,147
2	Transmission Plant	4,052,747	2,179,775	160,056	2,339,831
3	Distribution Plant	12,085,804	8,938,158	550,071	9,488,229
4	General Plant	1,212,985	830,763	90,249	921,011
5	Intangible Plant	<u>986,751</u>	<u>687,541</u>	<u>60,112</u>	<u>747,653</u>
6	Subtotal	40,519,492 (a)	27,614,764	1,301,107	28,915,872
7	Nuclear Fuel (Net)	<u>537,828</u>	<u>354,338</u>	<u>-</u>	<u>354,338</u>
8	Total electric plant in service	<u>\$ 41,057,320</u>	<u>\$ 27,969,103</u>	<u>\$ 1,301,107</u>	<u>\$ 29,270,210</u>

Notes: (a) Excludes asset retirement obligations, electric plant held for future use, and electric plant acquisition adjustments totaling \$642,372 thousand.

(b) Reflects certain plant in service additions/retirements through January 2020, and a reduction for solar electric plant recovered through the REPS rider.

DUKE ENERGY CAROLINAS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
Docket No. E-7, Sub 1214 DECEMBER 31, 2018
(Thousands of Dollars)

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (b) (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (8,604,490)	\$ (5,795,067)	\$ (457,776)	\$ (6,252,844)
2	Transmission Reserve	(1,385,391)	(745,942)	(7,009)	(752,951)
3	Distribution Reserve	(4,816,028)	(3,561,642)	(111,855)	(3,673,497)
4	General Reserve	(414,681)	(285,334)	(45,259)	(330,594)
5	Intangible Reserve	<u>(609,897)</u>	<u>(422,682)</u>	<u>(51,702)</u>	<u>(474,384)</u>
6	Total	<u>\$ (15,830,487) (a)</u>	<u>\$ (10,810,668)</u>	<u>\$ (673,602)</u>	<u>\$ (11,484,270)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	4.40%			
9	Nuclear production plant	3.60%			
10	Hydro production plant	2.00%			
11	Other production plant	3.21%			
12	Transmission plant	2.23%			
13	Distribution plant	2.28%			
14	General plant	Various			
15	Intangible plant	20.00%			

Notes: (a) Excludes accumulated amortization of electric plant acquisition adjustment and accumulated depreciation related to asset retirement obligations totaling (\$107,345) thousand.

(b) Consists of adjustments to depreciation for year-end plant and certain plant additions/retirements through January 2020.

DUKE ENERGY CAROLINAS, LLC
MATERIALS AND SUPPLIES
Docket No. E-7, Sub 1214 DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 175,291	\$ 115,487	\$ 3,848 (a)	\$ 119,336
2	Gas	45,470	29,957	-	29,957
3	Total fuel stock	220,761	145,444	3,848	149,293
4	Other electric materials and supplies and stores clearing	773,682	532,633	(42,500)	490,133
5	Total Materials and Supplies	<u>\$ 994,443</u>	<u>\$ 678,077</u>	<u>\$ (38,652)</u>	<u>\$ 639,426</u>

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

DUKE ENERGY CAROLINAS, LLC
WORKING CAPITAL INVESTMENT
Docket No. E-7, Sub 1214 DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations			Impact of Rev Incr (Col. 5)	With Rev Incr (Col. 6)
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)		
1	Required bank balance	\$ 300	\$ 204	\$ -	\$ 204		\$ 204
2	Investor advanced funds: Operating funds per lead-lag study	260,829	177,740 (a)	(20,794) (b)	156,946	47,878 (C)	204,825
3	Unamortized Debt	114,911	78,306	-	78,306	-	78,306
4	Pension Funding	580,803	394,363	-	394,363	-	394,363
5	Injuries and Damages	705,912	477,557	-	477,557	-	477,557
6	Regulatory Asset and Liability - Tax	(3,338,909)	(2,208,434)	-	(2,208,434)	-	(2,208,434)
7	Other	1,395,759	922,916	457,131	1,380,047	-	1,380,047
8	Total investor advanced funds	(280,695)	(157,552)	436,337	278,785	47,878	326,663
9	Less: customer deposits	(126,585)	(96,608)	-	(96,608)	-	(96,608)
10	Total working capital investment	\$ (406,979)	\$ (253,955)	\$ 436,337	\$ 182,381	\$ 47,878	\$ 230,260

Notes: (a) From Speros Exhibit 2, Line 19.

(b) Reflects a decrease in 'operating funds per lead-lag study' for the adjusted total requirements in this rate case.

(C) Reflects an increase in 'operating funds per lead-lag study' for the impact of the revenue increase.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Summary of Proposed Revenue Adjustments
For the test period ended December 31, 2018

McManeus
Exhibit 2

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>NC Retail</u>
1		
2	Revenue Requirement from Exhibit 1	\$ 445,331
3	EDIT Rider	(154,573)
4	Total Requested Increase	<u>\$ 290,757</u>

DUKE ENERGY CAROLINAS, LLC
Docket No. E-7, Sub 1214

McManeus Exhibit No. 3
Page 1 of 1

Total cost data - DEC utility-owned solar project

Project:

Project size:

CPCN docket No.

CPCN filing date:

NCUC Order date:

Original CPCN estimate:

Total capital expenditure (\$000s)

Total annual levelized revenue requirement (\$000s)

Updated tax benefit monetization estimates:

Total capital expenditure (\$000s)

Total annual levelized revenue requirement (\$000s)

Updated tax benefit monetization and capital expenditure estimates:

Total capital expenditure (\$000s)

Total annual levelized revenue requirement (\$000s)

Woodleaf
 6 MWac
 E-7, Sub 1101
 March 3, 2016
 June 16, 2016

\$ 16,585
 \$ 1,460

\$ 16,585
 \$ 1,553

\$ 15,200
 \$ 1,387

Levelized cost recovery summary

Total cost - original estimate

Avoided cost

Incremental cost

Annual \$/MWh	Annual Levelized Cost (\$000s)
\$94.49	\$ 1,460
\$75.00	\$ 1,159
\$ 19.49	\$ 301

Total cost - updated tax benefit monetization estimates only ⁽¹⁾

Avoided cost

Incremental cost

\$100.54	\$ 1,553
\$75.00	\$ 1,159
\$ 25.54	\$ 394

Total cost - updated tax benefit monetization and capital expenditure estimates ⁽²⁾

Avoided cost

Incremental cost

\$89.76	\$ 1,387
\$75.00	\$ 1,159
\$ 14.76	\$ 228

(1) Reflects original project cost estimates with updated assumptions regarding tax benefits per Commission's May 10, 2016 **Order Granting Certificate of Public Convenience and Necessity** ("Woodleaf Order") issued in Docket No. E-7, Sub 1101.

(2) DEC filed its **Final Cost Accounting Report** showing actual project cost incurred, as required by the Woodleaf Order, on June 20, 2019 in Docket No. E-7, Sub 1101. The total cost stated above reflects the actual cost incurred included in the **Final Cost Accounting Report**; current estimated remaining project cost; updated assumptions regarding tax benefits as required by the Woodleaf Order; federal income tax rate changes since the original revenue requirement calculation; and cost of capital components authorized by the Commission in its June 22, 2018 **Order Accepting Stipulation, Deciding Contested Issues, and Requiring Revenue Reduction** in Docket No. E-7, Sub 1146.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Exhibit 4

Excess Deferred Income Tax Rider Calculation
(Dollars in thousands)

		Federal EDIT - Protected NC Retail	Federal EDIT - Unprotected, PP&E related NC Retail	Federal EDIT - Unprotected, non PP&E related NC Retail	NC EDIT NC Retail	Deferred Revenue NC Retail	Total NC Retail
		(A)	(B)	(C)	(D)	(E)	(F)
1 Regulatory Federal EDIT liability including gross up on the books as of 12/31/2018, based on 2017 tax returns	[1]	\$ (1,224,087)	\$ (783,045)	\$ (166,964)	\$ (34,339)		(2,208,434)
2 Adjustment to implement ASU 2018-02	[1]			\$ (1,344)	\$ -		(1,344)
3 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2018-12/31/2018	[1]	\$ 31,021		\$ (31,021)	\$ -		-
4 Regulatory Federal EDIT liability including gross up as of 12/31/2018, adjusted for the implementation of ASU 2018-02	[1]	\$ (1,193,066)	\$ (783,045)	\$ (199,329)	\$ (34,339)	\$ -	(2,209,778)
5 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2019-7/31/2020	[1]	\$ 49,116		\$ (49,116)	\$ -		-
6 Deferred revenues related to 2017 Federal Tax Rate Change as of 12/31/2018	[1]					\$ (112,661)	(112,661)
7 Other projected updates through 1/31/2020	[2]				\$ (2)	\$ (8,392)	(8,394)
8 Regulatory liability for federal tax change including gross up for NC Retail, for Year 1 rider calculation (Sum of L4 to L7)		\$ (1,143,950)	\$ (783,045)	\$ (248,445)	\$ (34,341)	\$ (121,053)	(2,330,834)
9 Annual Amortization percentage		2.53%	5.00%	20.00%	20.00%	20.00%	6.48%
10 Liability for Annual amortization amount (Col A: L1 , Col B to E: L8)		(1,224,087)	(783,045)	(248,445)	(34,341)	(121,053)	(2,410,971)
11 Annual amortization amount (L9 x L10)	[3]	(31,021)	(39,152)	(49,689)	(6,868)	(24,211)	(150,941)
12 Years of rider amortization		39.46	20	5	5	5	15

[1] Excess deferred tax liability (EDIT) on the books as of 12/31/2018 by jurisdiction, and forecast transition to new rates effective date between categories based on Tax Dept. analysis of ADIT.
Federal EDIT related to the federal tax changes booked to the 0254036 and 0254038 accounts is included in other Working Capital in the per books cost of service.
NC EDIT related to the NC state tax reduction deferred to the 0254150 account not included for recovery in NC EDIT rider approved in prior DEC NC rate case.
This NC EDIT is included in other Working Capital in the per books cost of service study.
Revenues deferred for federal tax changes with accrued returns in the 0229010 account, are currently excluded from rate base in the per books cost of service study.

[2] Projected updates to the NC tax EDIT during 2019 by Tax Dept.
McManeus Exhibit 4, Page 3, Line 1 return accruals on deferred revenues in the 0229010 account projected through 1/31/2020.

[3] Annual amortization for Federal EDIT-Protected from Tax Dept., estimated based on ARAM method.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Exhibit 4

			After Tax Weighted Average Cost of Capital (WACC)
Cost of Capital per McManeus Exhibit 1	Ratio	Rate	
Debt	47.00%	4.51%	1.62%
Equity	53.00%	10.30%	5.46%
			7.08%
Statutory Tax Rate			23.35%
Retention factor for NCUC Fee, Uncollectibles			99.62%

Annual Rider Calculation

Amortization - From Page 1, L11															
Year	Beginning Balance, Page 1, L8	Federal EDIT - Protected	Federal EDIT - Unprotected, PP&E related	Federal EDIT - Unprotected, non PP&E related	NC EDIT	Deferred Revenue	Total Amortization (G) =(B)+(C)+(D)+ [E]+[F]	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) /2	EDIT Balance in Base Rates, Page 1, L1 (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	Rider Revenues (M) = (G) + (L)	Rider Revenues incl. NCUC Fee, Uncollectibles (N) = (M) / Retention Factor	
	(A)	(B)	(C)	(D)	(E)	(F)									
Aug 1	(2,330,834)	(31,021)	(39,152)	(49,689)	(6,868)	(24,211)	(150,941)	(2,179,893)	(\$2,255,364)	(2,208,434)	(\$46,930)	(\$3,046)	(153,986)	(154,573)	
Jul 2	(2,179,893)	(31,021)	(39,152)	(49,689)	(6,868)	(24,211)	(150,941)	(2,028,953)	(\$2,104,423)	(2,208,434)	\$104,011	\$7,364	(143,577)	(144,124) [1]	
Jul 3	(2,028,953)	(31,021)	(39,152)	(49,689)	(6,868)	(24,211)	(150,941)	(1,878,012)	(\$1,953,482)	(2,208,434)	\$254,952	\$18,051	(132,890)	(133,397) [1]	
Jul 4	(1,878,012)	(31,021)	(39,152)	(49,689)	(6,868)	(24,211)	(150,941)	(1,727,071)	(\$1,802,541)	(2,208,434)	\$405,893	\$28,737	(122,204)	(122,669) [1]	
Jul 5	(1,727,071)	(31,021)	(39,152)	(49,689)	(6,868)	(24,211)	(150,941)	(1,576,130)	(\$1,651,601)	(2,208,434)	\$556,833	\$39,424	(111,517)	(111,942) [1]	

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Exhibit 4

McManeus
Exhibit 4
Page 3 of 3

Deferred Revenue for Federal Tax Rate Change in account 0229010

NC Retail

1	Projected Changes in Deferred Revenue for Federal Tax Rate Change through Jan 2020	(\$8,392,119)
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DUKE ENERGY CAROLINAS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 7,273,365	\$ 4,904,084	\$ (104,408)	\$ 4,799,676	\$ 464,585	\$ 5,264,261
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,504,692	989,374	175,280	1,164,655	-	1,164,655
3	Purchased power	317,798	194,348	(170,936)	23,412	-	23,412
4	Other operation and maintenance expense	2,029,601	1,375,939	(212,695)	1,163,244	1,764	1,165,008
5	Depreciation and amortization	1,193,762	838,805	371,230	1,210,035	-	1,210,035
6	General taxes	291,829	194,681	14,972	209,653	-	209,653
7	Interest on customer deposits	8,169 (b)	7,130	-	7,130	-	7,130
8	Net income taxes	340,714	224,997	(56,628)	168,369	107,824	276,193
9	Amortization of investment tax credit	(5,259)	(3,526)	690	(2,836)	-	(2,836)
10	Total electric operating expenses	5,681,305	3,821,748	121,914	3,943,662	109,588	4,053,250
11	Operating income	<u>\$ 1,592,059</u>	<u>\$ 1,082,336</u>	<u>\$ (226,322)</u>	<u>\$ 856,014</u>	<u>\$ 354,997</u>	<u>\$ 1,211,011</u>
12	Original cost rate base (e)	<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 1,372,602 (d)</u>	<u>\$ 15,929,252</u>	<u>\$ 49,888 (f)</u>	<u>\$ 15,979,139</u>
13	Rate of return on North Carolina retail rate base		<u>7.44%</u>		<u>5.37%</u>		<u>7.58%</u>

Notes: (a) From Form E-1 Item 45A

(b) Reclassifies interest on customer deposits to electric operating expense.

(c) From Page 3, Line 35.

(d) From Page 4, Line 9.

(e) From Page 2.

(f) Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY CAROLINAS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 10,993,064	47.00%	\$ 7,486,748	4.51%	\$ 337,652	\$ 7,510,195	4.51%	\$ 338,710
2	Members' equity (a)	11,682,367	53.00%	8,442,503	6.14%	518,361	8,468,944	10.30%	872,301
3	Total	<u>\$ 22,675,431</u>	<u>100.00%</u>	<u>\$ 15,929,252</u> (b)		<u>\$ 856,014</u> (c)	<u>\$ 15,979,139</u> (b)		<u>\$ 1,211,011</u>
4	Operating income before increase (Line 3, Column 5)								856,014
5	Additional operating income required (Line 3 minus Line 4)								354,997
6	Calculate income tax on incremental interest expense due to increase in cash working capital in proposed revenue								(247)
7	Regulatory fee (.12967%), uncollectibles rate (.2501%) and income taxes (23.3503%)								109,835
8	Additional revenue requirement								<u>\$ 464,585</u>

Notes: (a) The equivalent of common equity for a limited liability company.

(b) From Page 1, Line 12, Column 4 and Column 6.

(c) From Page 1, Line 11, Column 4.

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	Amortization of ITC (Col. 8)	Operating Income
1	Annualize retail revenues for current rates	\$ (110,407)	\$ -	\$ -	\$ (826)	\$ -	\$ -	\$ (25,588)	\$ -	(83,994)
2	Update fuel costs to proposed rate	-	209,105	(169,854)	(21,892)	(3,277)	-	(3,288)	-	(10,794)
2E	Update fuel costs to proposed rate	-	-	-	-	3,277	-	(765)	-	(2,512)
3	Normalize for weather	(109,566)	(26,163)	-	(416)	-	-	(19,378)	-	(63,609)
3E	Normalize for weather - Supplemental	7,829	259	-	30	-	-	1,761	-	5,780
4	* Annualize revenues for customer growth	9,942	2,775	-	39	-	-	1,664	-	5,464
4E	Annualize revenues for customer growth - Supplemental	30,423	6,167	-	114	-	-	5,637	-	18,505
5	Eliminate unbilled revenues	26,204	-	-	-	-	-	6,119	-	20,085
6	Adjust for costs recovered through non-fuel riders	50,669	(16,862)	(1,082)	(117,348)	(3,071)	(10)	60,905	-	128,138
6E	Adjust for costs recovered through non-fuel riders - Supplemental	-	-	-	(24)	27	-	(1)	-	(2)
7	Adjust O&M for executive compensation	-	-	-	(3,301)	-	-	771	-	2,530
8	Annualize depreciation on year end plant balances	-	-	-	-	59,172	-	(13,817)	690	(46,045)
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	(121)	-	28	-	92
9	Annualize property taxes on year end plant balances	-	-	-	-	-	7,469.73	(1,744)	-	(5,726)
10	* Adjust for post test year additions to plant in service	-	-	-	-	50,629	6,771	(13,403)	-	(43,998)
10E	Adjust for post test year additions to plant in service - Supplemental	-	-	-	-	10,380	2,486	(3,004)	-	(9,862)
11	* Amortize deferred environmental costs	-	-	-	-	95,913	-	(22,396)	-	(73,517)
11E	Adjust deferred environmental - Supplemental	-	-	-	-	(1,970)	-	460	-	1,510
12	Annualize O&M non-labor expenses	-	-	-	2,631	-	-	(614)	-	(2,017)
12E	Adjust non-labor expenses - Supplemental	-	-	-	1	-	-	(0)	-	(0)
13	* Normalize O&M labor expenses	-	-	-	(23,765)	-	(1,162)	5,820	-	19,106
13E	Adjust Normalization O&M Labor Expenses - Supplemental	-	-	-	(4,328)	-	(346)	1,091	-	3,582
14	Update benefits costs	-	-	-	(1,433)	-	-	335	-	1,099
14E	Update benefits costs	-	-	-	(2,126)	-	-	496	-	1,630
15	* Levelize nuclear refueling outage costs	-	-	-	(2,138)	-	-	499	-	1,639
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	192	-	-	(45)	-	(147)
16	* Amortize rate case costs	-	-	-	801	-	-	(187)	-	(614)
16E	Adjust Amortize Rate Case costs - Supplemental	-	-	-	-	-	-	-	-	-
17	Adjust aviation expenses	-	-	-	(1,986)	-	(27)	470	-	1,543
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,408	62,706	56	(14,984)	-	(49,187)
19	Adjust for Merger Related Costs	-	-	-	(5,530)	(21)	(73)	1,313	-	4,311
19E	Adjust Merger related Costs - Supplemental	-	-	-	-	(27)	-	6	-	21
20	* Amortize Severance Costs	-	-	-	(46,208)	-	-	10,790	-	35,418
20E	Adjust amortization of Severance Costs - Supplemental	-	-	-	(1,255)	-	-	293	-	962

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	Amortization of ITC (Col. 8)	Operating Income
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	(2,707)	-	2,707
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(2,580)	-	2,580
22E	Adjust Synchronize Interest Expense - Supplemental	-	-	-	-	-	-	(2,259)	-	2,259
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	-	-	-	103	-	(103)
23E	Adjust Cash Working Capital - Supplemental	-	-	-	-	-	-	(40)	-	40
24	Adjust coal inventory	-	-	-	-	-	-	-	-	-
25	* Adjust for credit card fees	-	-	-	8,774	-	-	(2,049)	-	(6,725)
25E	Adjust Credit Card Fees - Supplemental	-	-	-	248	-	-	(58)	-	(190)
26	* Adjust Depreciation for new rates	-	-	-	-	72,133	-	(16,843)	-	(55,290)
26E	Adjust Depreciation for new rates - Supplemental	-	-	-	-	781	-	(182)	-	(599)
27	Adjust vegetation management expenses	-	-	-	7,739	-	-	(1,807)	-	(5,932)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(1,808)	-	422	-	1,386
29	* Update deferred balance and amortize storm costs	-	-	-	-	24,179	-	(5,646)	-	(18,533)
29E	Adjust Storm Costs - Supplemental	-	-	-	-	517	-	(121)	-	(396)
30	Adjust Other Revenue	(9,502)	-	-	(36)	-	-	(2,210)	-	(7,256)
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	(500)	-	-	117	-	383
32	* Adjust for Hydro Stations Sale	-	-	-	(1,560)	1,773	(193)	(5)	-	(16)
32E	Adjust for Hydro Stations Sale - Supplemental	-	-	-	-	36	-	(8)	-	(27)
33D	Correct Lead Lag Per Books	-	-	-	-	-	-	-	-	-
34										
35	Total adjustments - Original Filing	\$ (142,660)	\$ 168,854	\$ (170,936)	\$ (205,547)	\$ 358,330	\$ 12,832	\$ (59,918)	\$ 690	\$ (246,966)
35A	Changes in Supplemental	38,252	6,426	-	(7,148)	12,900	2,140	3,290	-	20,644
	Total Adjustments	\$ (104,408)	\$ 175,280	\$ (170,936)	\$ (212,695)	\$ 371,230	\$ 14,972	\$ (56,628)	\$ 690	\$ (226,322)

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

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	109,581	-	109,581
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	14,082	-	14,082
2E	Update fuel costs to proposed rate - Supplemental	-	-	-	-	-	-	-	-	3,277	-	3,277
3	Normalize for weather	-	-	-	-	-	-	-	-	82,987	-	82,987
3E	Normalize for weather - Supplemental	-	-	-	-	-	-	-	-	(7,540)	0	(7,540)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	(7,128)	-	(7,128)
4E	Annualize revenues for customer growth - Supplemental	-	-	-	-	-	-	-	-	(24,142)	-	(24,142)
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	(26,204)	-	(26,204)
6	Adjust for costs recovered through non-fuel riders	(18,328)	4,243	(42,354)	(19,404)	12,472	-	-	(63,371)	(167,173)	(5,857)	(173,030)
6E	Adjust for costs recovered through non-fuel riders - Supplemental	929	(206)	-	(37,184)	-	-	-	(36,462)	2	(3,370)	(3,367)
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	(3,301)	-	(3,301)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	60,072	-	60,072
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	-	-	-	-	(121)	-	(121)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	7,470	-	7,470
10	* Adjust for post test year additions to plant in service	1,355,958	(619,363)	-	(4,945)	(17,144)	-	-	714,506	57,401	66,033	123,433
10E	Adjust for post test year additions to plant in service - Supplemental	461,096	12,809	-	44,487	(25,112)	-	-	493,279	12,866	45,587	58,453
11	* Amortize deferred environmental costs	-	-	-	383,653	(89,584)	-	-	294,069	95,913	27,177	123,090
11E	Adjust deferred environmental - Supplemental	-	-	-	(7,879)	1,840	-	-	(6,039)	(1,970)	(558)	(2,528)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	2,631	-	2,631
12E	Adjust non-labor expenses - Supplemental	-	-	-	-	-	-	-	-	1	-	1
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	(24,926)	-	(24,926)
13E	Adjust Normalization O&M Labor Expenses - Supplemental	-	-	-	-	-	-	-	-	(4,674)	-	(4,674)
14	Update benefits costs	-	-	-	-	-	-	-	-	(1,433)	-	(1,433)
14E	Update benefits costs	-	-	-	-	-	-	-	-	(2,126)	-	(2,126)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	(2,138)	-	(2,138)
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	-	-	-	-	-	192	-	192
16	* Amortize rate case costs	-	-	-	3,080	(719)	-	-	2,361	801	218	1,019
16E	Adjust Amortize Rate Case costs - Supplemental	-	-	-	6	(1)	-	-	5	-	0	0
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	(2,013)	-	(2,013)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(139,897)	32,666	-	-	(107,231)	64,171	(9,910)	54,261
19	Adjust for Merger Related Costs	-	338	-	-	-	-	-	338	(5,624)	31	(5,592)
19E	Adjust Merger related Costs - Supplemental	(1,206)	-	-	-	-	-	-	(1,206)	(27)	(111)	(138)
20	* Amortize Severance Costs	-	-	-	46,113	(10,767)	-	-	35,345	(46,208)	3,266	(42,941)
20E	Adjust amortization of Severance Costs - Supplemental	-	-	-	(2,743)	640	-	-	(2,102)	(1,255)	(194)	(1,449)

McManeaus
Supplemental Exhibit 1
Page 3c

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	(3,532)	-	(3,532)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	(3,366)	-	(3,366)
22E	Adjust Synchronize Interest Expense - Supplemental	-	-	-	-	-	-	-	-	(2,947)	-	(2,947)
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	(20,794)	-	-	-	(20,794)	134	(1,922)	(1,787)
23E	Adjust Cash Working Capital - Supplemental	-	-	-	8,142	-	-	-	8,142	(52)	752	700
24	Adjust coal inventory	-	-	3,848	-	-	-	-	3,848	-	356	356
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	8,774	-	8,774
25E	Adjust Credit Card Fees - Supplemental	-	-	-	-	-	-	-	-	248	-	248
26	* Adjust Depreciation for new rates	-	(72,913)	-	-	-	-	-	(72,913)	72,133	(6,738)	65,395
26E	Adjust Depreciation for new rates - Supplemental	-	(2)	-	-	-	-	-	(2)	781	(0)	781
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	7,739	-	7,739
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	(1,808)	-	(1,808)
29	* Update deferred balance and amortize storm costs	-	-	-	169,251	(39,520)	-	-	129,730	24,179	11,989	36,168
29E	Adjust Storm Costs - Supplemental	-	-	-	3,620	(845)	-	-	2,774	517	256	773
30	Adjust Other Revenue	-	-	-	-	-	-	-	-	9,466	-	9,466
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	-	-	-	-	-	(500)	-	(500)
32	* Adjust for Hydro Stations Sale	(36,522)	14,093	(146)	19,280	(4,502)	-	-	(7,797)	20	(721)	(700)
32E	Adjust for Hydro Stations Sale	36,522	(14,093)	-	214	(50)	-	-	22,593	36	2,088	2,124
33D	Correct Lead Lag Per Books	-	-	-	(16,472)	-	-	-	(16,472)	-	(1,522)	(1,522)
34												
35	Total adjustments - Original Filing	\$ 1,301,107	\$ (673,602)	\$ (38,652)	\$ 436,337	\$ (117,099)	\$ -	\$ -	\$ 908,092	\$ 322,201	\$ 83,923	\$ 406,124
35A	Changes in Supplemental	497,341	(1,492)	-	(7,810)	(23,529)	-	-	464,510	(28,084)	42,929	14,845
	Total Adjustments	\$ 1,798,448	\$ (675,094)	\$ (38,652)	\$ 428,526	\$ (140,627)	\$ -	\$ -	\$ 1,372,602	\$ 294,117	\$ 126,852	\$ 420,969

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

DUKE ENERGY CAROLINAS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 41,057,320	\$ 27,969,103	\$ 1,798,448	\$ 29,767,551
2	Less: Accumulated depreciation and amortization	4b	(15,830,487)	(10,810,668)	(675,094)	(11,485,762)
3	Net electric plant		25,226,833	17,158,435	1,123,354	18,281,789
4	Add: Materials and supplies	4c	994,443	678,077	(38,652)	639,426
5	Working capital investment	4d	(406,979)	(253,955)	428,526	174,571
6	Less: Accumulated deferred taxes		(3,824,449)	(2,601,854)	(140,627) (a)	(2,742,481)
7	Operating reserves		(628,321)	(424,053)	-	(424,053)
8	Construction work in progress		-	-	-	-
9	Total		<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 1,372,602</u>	<u>\$ 15,929,252</u>

DUKE ENERGY CAROLINAS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 22,181,205	\$ 14,978,527	\$ 754,494	\$ 15,733,021
2	Transmission Plant	4,052,747	2,179,775	226,495	2,406,270
3	Distribution Plant	12,085,804	8,938,158	677,535	9,615,694
4	General Plant	1,212,985	830,763	94,664	925,427
5	Intangible Plant	<u>986,751</u>	<u>687,541</u>	<u>45,260</u>	<u>732,801</u>
6	Subtotal	40,519,492 (a)	27,614,764	1,798,448	29,413,212
7	Nuclear Fuel (Net)	<u>537,828</u>	<u>354,338</u>	<u>-</u>	<u>354,338</u>
8	Total electric plant in service	<u>\$ 41,057,320</u>	<u>\$ 27,969,103</u>	<u>\$ 1,798,448</u>	<u>\$ 29,767,551</u>

Notes: (a) Excludes asset retirement obligations, electric plant held for future use, and electric plant acquisition adjustments totaling \$642,372 thousand.
(b) Reflects certain plant in service additions/retirements through January 2020, and a reduction for solar electric plant recovered through the REPS rider.

DUKE ENERGY CAROLINAS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DECEMBER 31, 2018
(Thousands of Dollars)

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (8,604,490)	\$ (5,795,067)	\$ (517,221)	\$ (6,312,288)
2	Transmission Reserve	(1,385,391)	(745,942)	(21,595)	(767,537)
3	Distribution Reserve	(4,816,028)	(3,561,642)	(63,157)	(3,624,799)
4	General Reserve	(414,681)	(285,334)	(25,568)	(310,902)
5	Intangible Reserve	<u>(609,897)</u>	<u>(422,682)</u>	<u>(47,553)</u>	<u>(470,235)</u>
6	Total	<u>\$ (15,830,487)</u>	0 <u>\$ (10,810,668)</u>	<u>\$ (675,094)</u>	<u>\$ (11,485,762)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	4.40%			
9	Nuclear production plant	3.60%			
10	Hydro production plant	2.00%			
11	Other production plant	3.21%			
12	Transmission plant	2.23%			
13	Distribution plant	2.28%			
14	General plant	Various			
15	Intangible plant	20.00%			

- Notes: (a) Excludes accumulated amortization of electric plant acquisition adjustment and accumulated depreciation related to asset retirement obligations totaling (\$107,345) thousand.
(b) Consists of adjustments to depreciation for year-end plant and certain plant additions/retirements through January 2020.

DUKE ENERGY CAROLINAS, LLC
MATERIALS AND SUPPLIES
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 175,291	\$ 115,487	\$ 3,848 [a]	\$ 119,336
2	Gas	45,470	29,957	-	29,957
3	Total fuel stock	220,761	145,444	3,848	149,293
4	Other electric materials and supplies and stores clearing	773,682	532,633	(42,500) [b]	490,133
5	Total Materials and Supplies	\$ 994,443	\$ 678,077	\$ (38,652)	\$ 639,426

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 35 days at full load.
(b) Eliminates (\$42,354) thousand of costs recorded in connection with non-fuel riders and (\$146) related to sale of hydro plants.

DUKE ENERGY CAROLINAS, LLC
WORKING CAPITAL INVESTMENT
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations			Impact of Rev Incr (Col. 5)	With Rev Incr (Col. 6)
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)		
1	Required bank balance	\$ 300	\$ 204	\$ -	\$ 204		\$ 204
2	Investor advanced funds: Operating funds per lead-lag study	260,829	177,740 (a)	(29,124) (b)	148,616	49,888 (c)	198,503
3	Unamortized Debt	114,911	78,306	-	78,306	-	78,306
4	Pension Funding	580,864	394,363	-	394,363	-	394,363
5	Injuries and Damages	705,912	477,557	-	477,557	-	477,557
6	Regulatory Asset and Liability - Tax	(3,338,909)	(2,208,434)	-	(2,208,434)	-	(2,208,434)
7	Other	1,395,698	922,916	457,651	1,380,567	-	1,380,567
8	Total investor advanced funds	(280,695)	(157,552)	428,526	270,974	49,888	320,862
9	Less: customer deposits	(126,585)	(96,608)	-	(96,608)	-	(96,608)
10	Total working capital investment	\$ (406,979)	\$ (253,955)	\$ 428,526	\$ 174,571	\$ 49,888	\$ 224,459

Notes: (a) From Speros Exhibit 2, Line 19.

(b) Reflects a decrease in 'operating funds per lead-lag study' for the adjusted total requirements in this rate case.

(c) Reflects an increase in 'operating funds per lead-lag study' for the impact of the revenue increase.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update fuel costs to proposed rate
For the test period ended December 31, 2018

NC-0200
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts fuel expense, purchased power, other operation and maintenance expense and income taxes for fuel clause expense during the test period to match the fuel clause revenues derived from the fuel factor proposed in Docket No. E-7, Sub 1129. By matching the expenses to the revenue, this adjustment ensures that no increase is requested in this proceeding related to fuel and fuel-related expenses that are recoverable through the fuel clause.

The impact to fuel and fuel related expenses is determined as follows:

1. The total fuel clause expense (including fuel, purchased power and reagents & by-products) allocated in cost of service is eliminated from the test period.
2. The pro forma fuel clause expense using the proposed fuel rate is calculated by multiplying the NC Retail kWh sales for the test period by the most recent proposed fuel rate.

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

January Updated

Upated NC-0201 line 5 to remove Catalyst Depreciation from Fuel Clause

I/A

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update fuel costs to proposed rate
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0200
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	Pro Formas Impacting Income Statement Line Items				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation	NC-0201	209,105	209,105	-
9	Purchased power	NC-0201	(169,854)	(169,854)	-
10	Other operation and maintenance expense	NC-0201	(21,892)	(21,892)	-
11	Depreciation and amortization	NC-0201	-	(3,277)	3,277
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-0201	(4,053)	(3,288)	(765)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	13,305	10,794	2,512
18					
19	Operating income	L4 - L17	\$ (13,305)	\$ (10,794)	\$ (2,512)
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	Pro Formas Impacting Rate Base Line Items				
27					
28	Electric plant in service				
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-		
31					
32	Add:				
33	Materials and supplies				
34	Working capital investment				
35					
36					
37	Less:				
38	Accumulated deferred taxes				
39	Operating reserves				
40					
41					
42	Construction work in progress				
43					
44	Total impact to rate base	Sum L30 through L42	\$ -		
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update fuel costs to proposed rate
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0201
Page 1 of 1
January

Line No.	Description	Residential	General	Industrial	Lighting	Total NC Retail	
1	<u>Fuel Clause Expense Allocated in Per Books Cost of Service</u>						
2	Fuel included in system average fuel costs	349,881	364,698	188,608	10,673	\$913,860	[1]
3	Purchased power included in system average fuel costs-demand	9,187	8,013	3,296	2	20,499	[2]
4	Purchased power included in system average fuel costs-energy	109,652	114,295	59,109	3,345	286,401	[3]
5	Catalyst depreciation included in system average fuel costs						
6	Reagents & by-products included in system average fuel costs	8,382	8,737	4,518	256	\$21,892	[4]
7	NC Retail Deferred Fuel Expense (0557980)	(52,470)	(54,691)	(28,284)	(1,601)	(\$137,046)	[5]
8	Total Fuel Clause Expense Allocated in Cost of Service (Sum L2 through L7)	\$ 424,632	\$ 441,051	\$ 227,248	\$ 12,675	\$1,105,606	
9	<u>Fuel Clause Expense to Add (Based on E-7 Sub 1163)</u>						
10	Proposed fuel and fuel related costs ¢/kWh (excluding EMF)	1.8126	1.9561	1.8934	1.9561		[6]
11	NC Retail kWh actual sales - 12 months ended December 2018	22,763,028,911	23,470,094,319	12,555,749,214	691,830,144	59,480,702,588	[7]
12	Adjusted Fuel Clause Expenses (L11 x (L10 / 100,000))	\$ 412,603	\$ 459,099	\$ 237,731	\$ 13,533	\$ 1,122,965	
13	Impact to fuel (-L2 + L12 - L7)	\$ 62,721	\$ 94,401	\$ 49,122	\$ 2,860	\$ 209,105	
14	Impact to purchased power (-L3 - L4 - L7)	\$ (66,369)	\$ (67,617)	\$ (34,121)	\$ (1,746)	\$ (169,854)	
15	Impact to O&M (-L6)	\$ (8,382)	\$ (8,737)	\$ (4,518)	\$ (256)	\$ (21,892)	
16	Taxable income (-L13 - L14 - L15)	\$ 12,030	\$ (18,047)	\$ (10,483)	\$ (858)	\$ (17,359)	
17	Statutory tax rate	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	[8]
18	Impact to income taxes (L16 x L17)	\$ 2,809	\$ (4,214)	\$ (2,448)	\$ (200)	\$ (4,053)	
19	Impact to operating income (L16 - L18)	\$ 9,221	\$ (13,833)	\$ (8,035)	\$ (658)	\$ (13,305)	

- [1] Included in E-1 Item 45A, Cost of Service, 501, 547 FUEL EXP-BIOGAS-NCR; 501, 547 FUEL EXP-REMAINDER; and 518 FUEL EXP-NUCLEAR
[2] Included in E-1 Item 45A, Cost of Service, 555 PURCHASED POWER-DEMAND
[3] Included in E-1 Item 45A, Cost of Service, 555 PURCHASED POWER-ENERGY
[4] Included in E-1 Item 45A, Cost of Service, 500-557 PROD EXP-ENERGY
[5] Included in E-1 item 45A, Cost of Service, 557 OTHER EXPENSES-NCR and in GL account 0557980 - Deferred fuel - NC
[6] NC-0202 - Approved fuel and fuel related costs ¢/kWh (excluding EMF), Docket No. E-7, Sub 1163, McGee Revised Exhibit 1, Line 9
[7] NC-0302 - 2018 kWh Sales - Per Book - NC Retail (General and Industrial includes HP kWhs)
[8] NC-0104 - 2018 Calculation of Tax Rates - Statutory Tax Rate, Line 10

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update fuel costs to proposed rate
For the test period ended December 31, 2018

NC-0202
Page 1 of 1
January

Proposed fuel and fuel related costs ¢/kWh (excluding EMF) - Docket No. E-7, Sub 1190. McGee Revised Exhibit 1, Line 9

Line #	Description	Reference	Residential cents/kWh	General cents/kWh	Industrial cents/kWh	Composite cents/kWh
<u>Current Fuel and Fuel Related Cost Factors (Approved Fuel Rider Docket No. E-7, Sub 1163)</u>						
1	Approved Fuel and Fuel Related Costs Factors	Input	1.7003	1.8314	1.8020	1.7769
2	EMF Increment	Input	0.0980	0.1068	0.2213	0.1290
3	EMF Interest Decrement cents/kWh	Input	0.0000	0.0000	0.0000	0.0000
4	Approved Net Fuel and Fuel Related Costs Factors	Sum	1.7983	1.9382	2.0233	1.9059
<u>Fuel and Fuel Related Cost Factors Required by Rule R8-55</u>						
5	Proposed Nuclear Capacity Factor of 92.95% and Normalized Test Period Sales	Exh 2 Sch 2 pg 2	1.9648	2.0622	2.1159	2.0393
6	NERC 5 Year Average Nuclear Capacity Factor of 90.21% and Projected Period Sales	Exh 2 Sch 3 pg 2	1.9969	2.0829	2.1266	2.0613
<u>Proposed Fuel and Fuel Related Cost Factors using Proposed Nuclear Capacity Factor of 92.95%</u>						
7	Fuel and Fuel Related Costs excluding Purchased Capacity cents/kWh	Exh 2 Sch 1 pg 2	1.7643	1.9310	1.8726	1.8574
8	REPS Compliance and QF Purchased Power - Capacity cents/kWh	Exh 2 Sch 1 pg 2	0.0483	0.0251	0.0208	0.0327
9	Total adjusted Fuel and Fuel Related Costs cents/kWh	Sum	1.8126	1.9561	1.8934	1.8901
10	EMF Increment (Decrement) cents/kWh	Exh 3 pg 2, 3, 4	0.1375	0.0927	0.2089	0.1346
11	EMF Interest (Decrement) cents/kWh	Exh 3 pg 2, 3, 4	0.0000	0.0000	0.0000	0.0000
12	Net Fuel and Fuel Related Costs Factors cents/kWh	Sum	1.9501	2.0488	2.1023	2.0247

Note: Fuel factors exclude regulatory fee

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Normalize for weather
For the test period ended December 31, 2018

NC-0300
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma reflects adjustments to revenue, fuel expense, operation and maintenance expense, and income taxes to normalize weather conditions experienced during the test period.

The impact to revenue is determined as follows:

1. The percentage of NC Retail kWh sales for the test period is calculated by dividing NC Retail kWh sales by Retail kWh sales.
2. The NC Retail kWh weather adjustment for the test period is determined by multiplying the percentage of NC Retail kWh sales by the Retail kWh weather adjustment. This Retail kWh weather adjustment is calculated by determining the effect that temperature variances have on kWh sales and then pricing out that change in kWh sales for each customer class during the test period at the rates in effect during the test period.

The weather normals used in deriving the temperature corrections for the year 2018 reflect a 30 year average of heating and cooling degree days/hours based on the years 1988-2017. The derivations of the individual monthly weather normals start with calculating the simple average of the hourly temperatures from the following three weather stations:

- A. Charlotte Douglas International Airport
- B. Greensboro Piedmont Triad Airport
- C. Greer Greenville - Spartanburg Airport

Next, degree hours are calculated by taking the average daily temperatures and subtracting them from a base (65 degrees Fahrenheit for CDD's and 65 degrees Fahrenheit for HDD's). The resulting CDD's and HDD's are summed for each day to determine the daily heating or cooling degree hours over the billing period.

3. The average price by class for the test period is calculated by dividing NC Retail present revenues annualized (dollars in thousands) by NC Retail kWh sales.
4. The weather adjusted revenue for the test period is calculated by multiplying the NC Retail kWh weather adjustment by the average price by class.

The impact to fuel expense is determined by multiplying the NC Retail kWh weather adjustment by the most recent proposed fuel rate.

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

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

September Update

2018 weather impacts were updated with 2 additional months of sales and weather data

October Update

2018 weather impacts were updated with 1 additional months of sales and weather data

November Update

2018 weather impacts were updated with 1 additional months of sales and weather data

December Update

2018 weather impacts were updated with 1 additional months of sales and weather data. and adjusted reside On NC-0301 Line 9 NC Retail present revenues annualized adjusted residential to exclude basic facilities che

January Update

2018 weather impacts were updated with 1 additional months of sales and weather data

I/A

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Normalize for weather
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0300
Page 1 of 1
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue	NC-0301	\$ (101,737)	\$ (109,566)	\$ 7,829
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation	NC-0301	(25,904)	(26,163)	259
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-0301	(386)	(416)	30
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-0301	(17,617)	(19,378)	1,761
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(43,907)	(45,957)	2,049
18					
19	Operating income	L4 - L17	\$ (57,830)	\$ (63,609)	\$ 5,780
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies				
34	Working capital investment				
35					
36					
37	Less:				
38	Accumulated deferred taxes				
39	Operating reserves				
40					
41					
42	Construction work in progress				
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Normalize for weather
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0301
Page 1 of 1
January

Line No.	Description	Residential	General Service	Industrial	System Total
1	System total kWh sales - per book	29,716,502,593 [1]	29,043,196,684 [1]	21,723,493,993 [1]	80,483,193,270
2	NC Retail kWh sales - per book	22,763,028,911 [1]	23,470,094,319 [1]	12,555,749,214 [1]	58,788,872,444
3	NC Retail kWh sales % (L2 / L1)	76.6006%	80.8110%	57.7980%	
4					
5	Retail kWh weather adjustment	(696,316,602) [2]	(896,916,690) [2]	(188,052,891) [2]	(1,781,286,183)
6	NC Retail kWh weather adjustment (L3 x L5)	(533,382,695)	(724,807,346)	(108,690,810)	(1,366,880,851)
7					
8	NC Retail kWh sales - per book (L2)	22,763,028,911	23,470,094,319	12,555,749,214	58,788,872,444
9	NC Retail present revenues annualized	\$ 1,926,205 [8]	\$ 1,636,027 [3]	\$ 702,079 [3]	\$ 4,264,311
10					
11	Average price by class in ¢/kWh (L9 / L8) x 100,000	8.4620	6.9707	5.5917	
12					
13	Impact to revenue - weather adjusted revenue (L6 x L11) / 100,000	\$ (45,135)	\$ (50,524)	\$ (6,078)	\$ (101,737)
14					
15	Proposed fuel and fuel related costs ¢/kWh (excluding EMF)	1.8126 [4]	1.9561 [4]	1.8934 [4]	
16	Impact to fuel (L6 x L15) / 100,000	\$ (9,668)	\$ (14,178)	\$ (2,058)	\$ (25,904)
17					
18	<u>Calculation of NCUC Regulatory Fee</u>				
19	Uncollectibles Rate	0.25010% [5]	0.25010% [5]	0.25010% [5]	0.25010% [5]
20	Statutory regulatory fee percentage rate	0.12967% [6]	0.12967% [6]	0.12967% [6]	0.12967% [6]
21	Impact to O&M (L13 x (L19 + L20))	\$ (171)	\$ (192)	\$ (23)	\$ (386)
22					
23	Taxable income (L13 - L16 - L21)	\$ (35,296)	\$ (36,154)	\$ (3,997)	\$ (75,447)
24	Statutory tax rate	23.3503% [7]	23.3503% [7]	23.3503% [7]	23.3503% [7]
25	Impact to income taxes (L23 x L24)	\$ (8,242)	\$ (8,442)	\$ (933)	\$ (17,617)
26	Impact to operating income (L23 - L25)	\$ (27,054)	\$ (27,712)	\$ (3,064)	\$ (57,830)

[1] NC-0302 - 2018 kWh Sales - Per Book [excluding Lighting and General and Industrial includes HP kWhs]

[2] NC-0303 - kWh Weather Normalizations - Based on 30 Year Average (1988 - 2017), Line 13

[3] NC-0404 - Present Revenues Annualized - North Carolina Retail

[4] NC-0202 - Proposed fuel and fuel related costs ¢/kWh (excluding EMF), Docket No. E-7, Sub 1190, McGee Exhibit 1, Line 9. Excludes Reg Fee and Uncollectibles.

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

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

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

[8] NC-0404 - Present Revenues Annualized - North Carolina Retail excluding Basic facilities

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2018 kWh Sales - Per Book

Information provided by Duke Energy Carolinas Rate Design

Line No.	Group	Description	NC Retail kWh Sales	SC Retail kWh Sales	System Total kWh Sales
1					
2	Residential:	RS - Residential Service	12,766,335,465	3,505,212,482	16,271,547,947
3		ES - Energy Star	120,905,311	22,030,041	142,935,352
4		WC - (RS) - Water Heating, Controlled/Submetered	3,741,986	1,471,809	5,213,795
5		RE - Electric Water Heating and Space Conditioning	9,773,419,993	3,283,571,333	13,056,991,326
6		RE-ESA - Energy Star	41,424,066	7,162,819	48,586,885
7		WC - (RE) - Water Heating, Controlled/Submetered	7,261,965	2,830,725	10,092,690
8		RT - Residential Service, Time of Use	49,940,125	7,148,593	57,088,718
9		RB - Residential Service		77,496,578	77,496,578
10	Residential: Total		22,763,028,911	6,906,924,380	29,669,953,291
11	General:	BC - Building Construction Service	16,159,670	4,596,697	20,756,367
12		SGS - Small General Service	4,500,519,842	1,353,245,883	5,853,765,725
13		SGSCATV - Small General Service	50,651,695	3,882,914	54,534,609
14		LGS - Large General Service	5,130,566,670	1,149,212,496	6,279,779,166
15		MPG - Multiple Premise		73,865,774	73,865,774
16	General: Total		9,697,897,877	2,584,803,764	12,282,701,641
17	OPT: General	OPTEG	20,012,800		20,012,800
18		OPT-G - Optional Power Service-Time of Use		2,973,151,266	2,973,151,266
19		OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	3,607,269,535		3,607,269,535
20		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	417,169,338		417,169,338
21		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	202,612,504		202,612,504
22		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	769,828,955		769,828,955
23		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	1,089,739,374		1,089,739,374
24		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	6,575,623,038		6,575,623,038
25		OPTVG - General Service	975,215,550		975,215,550
26	OPTGeneral: Total		13,657,471,094	2,973,151,266	16,630,622,360
27	OPT: Industrial	MPI - Multiple Premise		141,380,013	141,380,013
28		OPT-I - Optional Power Service-Time of Use		7,760,861,939	7,760,861,939
29		OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	5,080,509,244		5,080,509,244
30		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	244,380,680		244,380,680
31		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	180,146,666		180,146,666
32		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	2,088,573,304		2,088,573,304
33		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	1,410,849,158		1,410,849,158
34		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	1,175,951,129		1,175,951,129
35		OPTVT	261,404,000		261,404,000
36	OPT Industrial: Total		10,441,814,181	7,902,241,952	18,344,056,133
37	Industrial:	I - Industrial Service	2,046,808,938	765,082,853	2,811,891,791
38		PG-I - Parallel Generation	18,000		18,000
39		PG-G - Parallel Generation	82,500	3,041,000	3,123,500
40	Industrial: Total		2,046,909,438	768,123,853	2,815,033,291
41	Lighting:	FL - Flood Lighting Service	107,709,339	66,418,150	174,127,489
42		GL - Governmental Lighting Service	18,709,804	2,944,621	21,654,425
43		NL - Nonstandard Lighting Service	275,017	2,931	277,948
44		OL - Outdoor Lighting Service	322,381,128	113,123,462	435,504,590
45		PL - Street and Public Lighting Service	232,673,040	39,129,488	271,802,528
46		TS - Traffic Signal Service	10,081,816	2,308,283	12,390,099
47	Lighting: Total		691,830,144	223,926,935	915,757,079
48	Greenwood:	A - Residential Service	-	46,549,302	46,549,302
49		BL - General	-	3,541,100	3,541,100
50		EH - General	-	46,983	46,983
51		SL - Lighting	-	283,805	283,805
52	Lighting: Total		-	50,421,190	50,421,190
53	Total (excluding HP kWhs)		59,298,951,645	21,409,593,340	80,708,544,985
54	HP: General	HP-LGS - Large General Service	11,434,576		11,434,576
55		HP-OPT-V-GPL - Optional Power Service-Time of Use with Voltage Differential	67,274,379		67,274,379
56		HP-OPT-V-GPS - Optional Power Service-Time of Use with Voltage Differential	35,961,928		35,961,928
57		HP-OPT-V-GSS - Optional Power Service-Time of Use with Voltage Differential	54,465		54,465
58	HP: General Total		114,725,348	-	114,725,348
59	HP: Industrial	HP-I - Industrial Service	1,427,133		1,427,133
60		HP-OPT-V-IPL - Optional Power Service-Time of Use with Voltage Differential	70,620,804		70,620,804
61		HP-OPT-V-IPS - Optional Power Service-Time of Use with Voltage Differential	(26,089,764)		(26,089,764)
62		HP-OPT-V-ISL - Optional Power Service-Time of Use with Voltage Differential	16,101,190		16,101,190
63		HP-OPT-V-ISS - Optional Power Service-Time of Use with Voltage Differential	4,966,232		4,966,232
64	HP: Industrial Total		67,025,595	-	67,025,595
65	HPX General	LGS		4,893,640	4,893,640
		OPT-G		6,665,612	6,665,612
66	HPX Industrial	OPT-I		497,378,974	497,378,974
67	HP Total		181,750,943	508,938,226	690,689,169
68	Total (including HP kWhs) (Sum L53 + L67)		59,480,702,588	21,918,531,566	81,399,234,154

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KWh Weather Normalizations - Based on 30 Year Average (1988 - 2017)

Line No.	Month	Year	Residential	General Service	Industrial	Total Retail
1	Jan	2018	(213,163,209)	(169,816,408)	-	(382,979,617)
2	Feb	2018	197,957,439	(2,337,311)	(1,312,725)	194,307,403
3	Mar	2018	501,469,515	-	-	501,469,515
4	Apr	2018	(66,367,837)	(15,815,376)	40,868,304	(41,314,908)
5	May	2018	5,981,133	(10,210,179)	3,455,856	(773,190)
6	Jun	2018	(335,802,445)	(189,455,055)	(107,265,250)	(632,522,751)
7	Jul	2018	(221,127,842)	(109,657,076)	(34,695,678)	(365,480,596)
8	Aug	2018	49,710,713	25,992,530	12,812,533	88,515,776
9	Sep	2018	(125,224,760)	(521,659,917)	(529,365,086)	(1,176,249,763)
10	Oct	2018	(275,675,065)	128,771,005	432,119,940	285,215,880
11	Nov	2018	(12,176,889)	(2,857,426)	(4,670,786)	(19,705,102)
12	Dec	2018	(201,897,352)	(29,871,478)	-	(231,768,830)
13	Total		(696,316,602)	(896,916,690)	(188,052,891)	(1,781,286,183)

Source: Duke Energy Carolinas Load Forecasting

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Annualize revenues for customer growth
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NC-0400
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to revenue is determined as follows:

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

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

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

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

This adjustment updates revenues to reflect customer growth experienced beyond the Test Period, through July 2019. The underlying calculations reflect the same methods used in the Company's rebuttal testimony as explained by Company witness Pirro in Docket E-7 Sub 1146.

September update

NC-0403 was updated for the updated weather impacts reflected in NC-300 as well as customer growth information through September 2019.

October update

NC-0403 was updated for the updated weather impacts reflected in NC-300 as well as customer growth information through October 2019.

November update

NC-0403 was updated for the updated weather impacts reflected in NC-300 as well as customer growth information through November 2019.

December update

NC - 0402 Residential rates were updated to exclude basic facilities.

NC-0403 was updated for the updated weather impacts reflected in NC-300 as well as customer growth information through December 2019.

NC - 0404 was updated to exclude basic facilities charges for Residential.

January update

NC-0403 was updated for the updated weather impacts reflected in NC-300 as well as customer growth information through January 2020. Removed the usage adjustment for classes T & T2 lighting

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Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	Pro Formas Impacting Income Statement Line Items				
3					
4	Electric operating revenue	NC-0401	\$ 40,365	\$ 9,942	\$ 30,423
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation	NC-0401	8,942	2,775	6,167
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-0401	153	39	114
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-0401	7,302	1,664	5,637
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	16,397	4,478	11,918
18					
19	Operating income	L4 - L17	\$ 23,968	\$ 5,464	\$ 18,505
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	Pro Formas Impacting Rate Base Line Items				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies				
34	Working capital investment				
35					
36					
37	Less:				
38	Accumulated deferred taxes				
39	Operating reserves				
40					
41					
42	Construction work in progress				
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Line No.	Description	NC Residential	NC General Service Small and Large	NC General Miscellaneous SGS (BC)	NC Street Lighting T & T2	NC Street Lighting TS	NC Industrial	Total NC Retail	
1									
2	Customer growth and usage revenue adjustment	\$ 22,197	\$ 9,558	\$ (125)	\$ 577	\$ (67)	\$ 8,224	\$ 40,365	[1]
3	Impact to revenue (L2)	\$ 22,197	\$ 9,558	\$ (125)	\$ 577	\$ (67)	\$ 8,224	\$ 40,365	
4									
5	Proposed fuel and fuel related costs ¢/kWh (excluding EMF)	1.8126	1.9561	1.9561	1.9561	1.9561	1.8934		[2]
6	Customer growth and usage adjustment to kWh sales	189,293,223	137,235,271	(795,378)	3,326,514	(396,712)	147,082,334	475,745,251	
7	Impact to fuel (L5 x (L6 / 100,000))	\$ 3,431	\$ 2,684	\$ (16)	\$ 65	\$ (8)	\$ 2,785	\$ 8,942.196	
8									
9	<u>Calculation of NCUC Regulatory Fee and Uncollectibles</u>								
10	Uncollectibles Rate	0.25010%	0.25010%	0.25010%	0.25010%	0.25010%	0.25010%		[3]
11	Statutory regulatory fee percentage rate	0.12967%	0.12967%	0.12967%	0.12967%	0.12967%	0.12967%		[4]
12	Impact to O&M (L3 x (L10 + L11))	\$ 84	\$ 36	\$ -	\$ 2	\$ -	\$ 31	\$ 153	
13									
14	Taxable income (L3 - L7 - L12)	\$ 18,682	\$ 6,838	\$ (109)	\$ 510	\$ (59)	\$ 5,409	\$ 31,270	
15									
16	Statutory tax rate	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	[5]
17	Impact to income taxes (L14 x L16)	\$ 4,362	\$ 1,597	\$ (25)	\$ 119	\$ (14)	\$ 1,263	\$ 7,302	
18									
19	Impact to operating income (L14 - L17)	\$ 14,320	\$ 5,241	\$ (84)	\$ 391	\$ (45)	\$ 4,146	\$ 23,968	

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

[2] NC-0202 - Proposed fuel and fuel related costs ¢/kWh (excluding EMF), Docket No. E-7, Sub 1190, McGee Exhibit 1, Line 9

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

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

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

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Calculation of Customer Growth and Usage Revenue Adjustment

Line No.	Rate Schedule	NC Proposed kWh Adjustment (a)		Cents Per kWh (b)		Revenue Adjustment (c) = (a) x (b)
1	NC Residential (L1 + L2)	189,293,223	[1]	8.46	[3]	\$ 16,018
2						
3	General Service Small and Large	137,235,271	[1]	6.96	[2]	9,558
4	Miscellaneous	(795,378)	[1]	15.68	[2]	(125)
5	NC General: Total (L3 + L4)	136,439,892				\$ 9,433
6						
7	T & T2	3,326,514	[1]	17.35	[2]	577
8	TS	(396,712)	[1]	16.92	[2]	(67)
9	NC Street Lighting: Total (L7 + L8)	2,929,802				\$ 510
10						
11	NC Industrial: Total	147,082,334	[1]	5.59	[2]	\$ 8,224
12						
13		<u># of Customers</u>		<u>BFC</u>		
14	NC Residential Change in number of customers	441,372		14.00	[4]	\$ 6,179
15						
16	NC Retail: Total (L1 + L5 + L9 + L11 + L14)					<u>\$ 40,365</u>

[1] NC-0403 - Customer Growth and Usage Adjustment to kWh Sales

[2] NC-0404 - Present Revenues Annualized and Per Book kWh Sales - North Carolina Retail

[3] NC-0404 - Present Revenues Annualized excluding Basic Facilities Charge and Per Book kWh Sales - North Carolina Retail

[4] Residential Basic Facilities Charge \$14

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Customer Growth and Usage Adjustment to kWh Sales

Test Period + 12 Months

Line No.	Rate Schedule	NC Proposed kWh Adjustment
1		
2	NC Residential	189,293,223
3		
4	NC General:	
5	General Service Small and Large	137,235,271
6	Miscellaneous	(795,378)
7	Total General	<u>136,439,892</u>
8		
9	NC Public Street Lighting:	
10	T & T2	3,326,514
11	TS	(396,712)
12	Total Street Lighting	<u>2,929,802</u>
13		
14	NC Industrial:	147,082,334
15		
16		
17	Total	<u><u>475,745,251</u></u>

Notes:

Two approved methods are used for estimating the growth adjustment depending on the class/schedule

"Regression" refers to the use of Ordinary Least Squares Regression

"Customer" refers to the use of the Customer by Customer approach

Information provided by Duke Energy Carolinas Rate Design

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Billed Revenues and Present Revenues Annualized - North Carolina Retail

Line No.	Group	Description	North Carolina Retail				
			Present Revenues Annualized	Basic Facilities Charge	Present Revenue Excluding Basic Facilities	Per Book kWh Sales [2]	¢ / kWh
1							
2	Residential:	RS - Residential Service	1,284,911,226	(170,002,367)	1,114,908,859	12,770,077,451	
3		ES - Energy Star	12,173,564	(1,455,441)	10,718,122	120,905,311	
4		RE - Electric Water Heating and Space Conditioning	915,282,512	(121,772,379)	793,510,133	9,780,681,958	
5		RE-ESA - Energy Star	3,848,399	(529,698)	3,318,701	41,424,066	
6		RT - Residential Service, Time of Use	4,077,140	(328,232)	3,748,908	49,940,125	
7	Residential: Total		2,220,292,841	(294,088,116)	1,926,204,724	22,763,028,911	8.46
8	General:	SGS - Small General Service	455,242,733			4,500,519,842	
9		SGSCATV - Small General Service	4,657,664			50,651,695	
10		LGS - Large General Service	376,184,722			5,130,566,670	
11	OPT - G	OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	190,231,067			3,607,269,535	
12		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	23,399,929			417,169,338	
13		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	11,000,796			202,612,504	
14		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	41,923,082			769,828,955	
15		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	63,473,610			1,089,739,374	
16		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	414,386,352			6,575,623,038	
17		OPT-V-T - Optional Power Service-Time of Use with Voltage Differential	46,442,756			975,215,550	
18		OPT-EG	1,023,151			20,012,800	
19	HP	HPLGS	701,127			11,434,576	
20		HP-OPTVG (standby excluded)	4,335,546			103,290,772	
21		HP-OPTVG (standby charges)	490,278				
22	General: Total		1,633,492,813			23,453,934,649	6.96
23	Miscellaneous:	BC - Building Construction Service	2,534,095			16,159,670	15.68
24	OPT - I	OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	256,905,512			5,080,509,244	
25		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	13,247,804			244,380,680	
26		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	7,099,896			180,146,666	
27		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	108,960,913			2,088,573,304	
28		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	80,880,912			1,410,849,158	
29		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	71,977,271			1,175,951,129	
30		OPT-V-T - Optional Power Service-Time of Use with Voltage Differential	12,008,128			261,404,000	
31	HP	HPI	72,517			1,427,133	
32		HP-OPTVI (standby excluded)	3,927,608			65,598,462	
33		HP-OPTVI (standby charges)	113,258			-	
34	Industrial:	I - Industrial Service	146,840,106			2,046,808,938	
35		PG - Parallel Generation	45,198			100,500	
36	Industrial: Total		702,079,123			12,555,749,214	5.59
37	Lighting:	PL - Street and Public Lighting Service	27,263,723			232,673,040	
38		GL - Governmental Lighting Service	2,953,173			18,709,804	
39		OL - Outdoor Lighting Service	72,464,299			322,381,128	
40		FL - Flood Lighting Service	15,608,277			107,709,339	
41		S - Unmetered Sign (Nantahala)	3,100			-	
42		NL - Nonstandard Lighting Service	14,755			275,017	
43	T & T2 Total		118,307,327			681,748,328	17.35
44	TS	TS - Traffic Signal Service	1,706,335			10,081,816	16.92
45	Grand Total		4,678,412,534			59,480,702,588	

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NC-0600
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts revenues and expenses to remove amounts that are associated with cost recovery through the following non-fuel riders: Renewable Energy Portfolio Standard Rider, Energy Efficiency Rider, EDIT Rider, GreenSource Rider, EDPR, BPM rider and House Bill 589. Rate base is also adjusted to eliminate the amounts recorded on the Company's financial statements as of December 31, 2018 related to these riders. The rate base adjustments are shown on McManeus Exhibit 1, pages 4, 4a, 4b, 4c, and 4d.

The impact to operating income was determined as follows:

The adjustment to revenue eliminates the NC SAW costs that were deferred, adjusts EDPR revenue and removes deferred DSM costs.

The adjustment to fuel expense eliminates the RECS consumption expense and BPM fuel.

The adjustment to purchase power expense eliminates the Green Source premium expense.

The adjustment to operation and maintenance expense eliminates the Energy Efficiency Demand Side Program Costs, REPs Solar, Green Source Administrative expenses, BPM Rider and House Bill 589 expenses incurred during the test period.

The adjustment to depreciation and amortization eliminates the amortization of the regulatory assets or liabilities that impact the test period for these riders.

The adjustment to general taxes eliminates the payroll taxes associated with the Green Source Administrative expenses and the BPM rider incurred during the test period.

The impact to income taxes was determined by multiplying taxable income by the statutory tax rate plus the removal of the EDIT rider amortization impact to taxes.

The impact to rate base was determined as follows:

The adjustment to electric plant in service eliminates the solar assets considered avoided costs up to the cap that are collected in the REPS rider.

The adjustment to accumulated depreciation eliminates the solar assets considered avoided costs up to the cap that are collected in the REPS rider.

The adjustment to materials and supplies eliminates the renewable energy credits that impact the test period for the REPS rider.

The adjustment to working capital investment eliminates the balances of the regulatory assets or liabilities that impact the test period for these riders.

The adjustment to accumulated deferred income taxes reflects the tax effect of the working capital investment adjustment above.

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September Update

NC0601 line 74 - eliminated the adjustment "Remove New NC EDIT for 3% - 2.5% EDIT Balance (Account 0254150)" as it should not have been removed from rate base.

NC0601 line 78 - Renoved CPRE Related Preliminary Survey balance from rate base.
NC0601 line 82 -Corrected Working capital amount for ADIT

December Update

NC0601 line 25 - removed CPRE Related O&M identified during internal review. GL reclass was recorded in December 2019.

January Update

Updated NC-0603 Solar allocation percentages to reflect year end 2019.

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Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	Pro Formas Impacting Income Statement Line Items				
3					
4	Electric operating revenue	NC-0601	\$ 50,669	\$ 50,669	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation	NC-0601	(16,862)	(16,862)	-
9	Purchased power	NC-0601	(1,082)	(1,082)	-
10	Other operation and maintenance expense	NC-0601	(117,246)	(117,348)	102
11	Depreciation and amortization	NC-0601	(3,045)	(3,071)	27
12	General taxes		(10)	(10)	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-0601	60,875	60,905	(30)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(77,370)	(77,469)	98
18					
19	Operating income	L4 - L17	\$ 128,040	\$ 128,138	\$ (98)
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	Pro Formas Impacting Rate Base Line Items				
27					
28	Electric plant in service	NC-0601	\$ (17,399)	\$ (18,328)	\$ 929
29	Accumulated depreciation and amortization	NC-0601	4,037	4,243	(206)
30	Electric plant in service, net	L28 + L29	\$ (13,362)	\$ (14,085)	\$ 722
31					
32	Add:				
33	Materials and supplies	NC-0601	(42,354)	(42,354)	-
34	Working capital investment	NC-0601	(56,588)	(19,404)	(37,184)
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes	NC-0601	12,472	12,472	-
39	Operating reserves		-	-	-
40			-	-	-
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ (99,833)	\$ (63,371)	\$ (36,462)
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Line No.	Description	EE	REPS	EDIT	Green Source	EDPR	BPM	HB 589	Adjustment to Total Carolinas	NC Retail Allocation	Total NC Retail
1											
2	<u>Impact to Income Statement Line Items</u>										
3	<u>Electric operating revenue:</u>										
4	Remove NC SAW Deferred Revenue (Account 0456560)	40,020	[1]						\$ 40,020	100.0000%	\$ 40,020
5	Adjust EDPR Revenue & Remove Deferred DSM Costs - NC (Account 0456640)					377	[15]		377	100.0000%	377
6	Remove BPM Deferred Revenue (Account 0449100)						10,272	[16]	10,272	100.0000%	10,272
7	Impact to revenue (Sum L4 through L6)								<u>\$ 50,669</u>		<u>\$ 50,669</u>
8											
9	<u>Fuel used in electric generation:</u>										
10	Remove RECS Consumption Expense (Account 0509213)		17,166	[1]					\$ (17,166)	92.6008% [2]	\$ (15,896)
11	Remove BPM Fuel						1,628	[16]	\$ (1,628)		\$ (967)
12	Impact to fuel (Sum L10 through L11)								<u>\$ (18,794)</u>		<u>\$ (16,862)</u>
13											
14	<u>Purchased power</u>										
15	Remove Green Source Premium (0555 Purchase Power)				1,082	[13]			<u>\$ (1,082)</u>	100.0000%	<u>\$ (1,082)</u>
16											
17	<u>Other operation and maintenance expense:</u>										
18	Remove Total Energy Efficiency & Demand Side Program Costs - Energy	128,965	[3]						\$ (128,965)	73.0728% [4]	\$ (94,238)
19	Remove Total Energy Efficiency & Demand Side Program Costs - Demand	30,495	[3]						(30,495)	74.2414% [5]	(22,640)
20	Remove other operations and Maint. - solar - NC REPS avoided to cap			177	[8]				(177)		\$0
21	Remove other operations and Maint. - solar - NC REPS avoided to cap deferral			(198)	[1]				198	67.4345% [17]	134
22	Remove other operations and Maint. - solar - Shared Solar and GSA HB 589							17	(17)	100.0000%	(17)
23	Remove other operations and Maint. - Green Source Rider					24	[13]		(24)	67.7195% [14]	(17)
24	Remove BPM O&M						749	[16]	(749)		(444)
25	Remove CPRE O&M							37	(37)	65.8832% [18]	(24)
26	Impact to O&M (Sum L18 through L24)								<u>\$ (160,264)</u>		<u>\$ (117,246)</u>
27											
28	<u>Depreciation and amortization:</u>										
29	Remove REPS Rider NC Retail (Account 0407350)		848	[1]					\$ (848)	100.0000%	\$ (848)
30	Remove REPS Rider NC Wholesale (Account 0407351)		90	[1]					(90)	0.0000%	-
31	Remove REPS Rider NC Retail - Cert (Account 0407352)		21,268	[1]					(21,268)	100.0000%	(21,268)
32	Remove REPS Rider NC Wholesale - Cert (Account 0407353)		1,285	[1]					(1,285)	0.0000%	-
33	Remove EDIT Rider Amortization (Account 0407398)				(3,016)	[1]			3,016	100.0000%	3,016
34	Remove NC Amortization of Retail REC Expense (Account 0407450)		(16,384)	[1]					16,384	100.0000%	16,384
35	Remove NC Amortization of Wholesale REC Expense (Account 0407451)		(782)	[1]					782	0.0000%	-
36	Remove RECS COS (Account 0411861)		335	[1]					(335)	91.4000% [6]	(307)
37	Remove depreciation and amort. - solar - NC REPS avoided to cap		704	[8]					(704)	67.4345% [17]	(475)
38	Remove depreciation and amort. -0403850 - Deferral of Depr. Exp. - Solar		(672)	[10]					672	67.4345% [17]	453
39	Impact to depreciation and amortization (Sum L29 through L38)								<u>\$ (3,676)</u>		<u>\$ (3,045)</u>
40											
41	<u>General taxes</u>										
42	Remove Green Source Premium				1	[13]			\$ (1)	67.7195%	\$ (1)
43	Remove BPM General Taxes						15	[16]	(15)		(9)
44	Impact to General Taxes (Sum L42 through L43)								<u>\$ (17)</u>		<u>\$ (10)</u>

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Line No.	Description	EE	REPS	EDIT	Green Source	EDPR	BPM	HB 589	Adjustment to Total Carolinas	NC Retail Allocation	Total NC Retail
45											
46	Taxable income (L7 - (L12 + L15 + L26 + L39 + L44))								\$ 234,503		\$ 188,915
47											
48	Statutory tax rate								23.3503% [7]		23.3503% [7]
49	Impact to income taxes (L46 x L48)								54,757		44,112
50	EDIT Impact to Income Taxes			(16,763) [12]					16,763	100.0000%	16,763
51	Total Tax impact (Sum L49 through L50)								<u>\$ 71,520</u>		<u>\$ 60,875</u>
52											
53	Impact to operating income (L46 - L51)								<u>\$ 162,983</u>		<u>\$ 128,040</u>
54	<u>Impact to Rate Base Line Items</u>										
55	<u>Electric plant in service:</u>										
56	Remove electric plant in service - solar - NC REPS avoided to cap		18,470 [8]						<u>\$ (18,470)</u>	94.2019% [9]	<u>\$ (17,399)</u>
57	Impact to electric plant in service (L56)								<u>\$ (18,470)</u>		<u>\$ (17,399)</u>
58											
59	<u>Accumulated depreciation and amortization:</u>										
60	Remove accumulated depreciation - solar - NC REPS avoided to cap		(4,285) [8]						<u>\$ 4,285</u>	94.2019% [9]	<u>\$ 4,037</u>
61	Impact to accumulated depreciation and amortization (L60)								<u>\$ 4,285</u>		<u>\$ 4,037</u>
62											
63	<u>Materials and supplies:</u>										
64	Remove Renewable Energy Credits (RECs) DE Carolinas - NC (Account 0158120)		45,738 [10]						<u>\$ (45,738)</u>	92.6008% [2]	<u>\$ (42,354)</u>
65											
66	<u>Working capital investment:</u>										
67	Remove REPS Incremental Costs (Account 0182359)		(2,960) [10]						\$ 2,960	92.6008% [2]	\$ 2,741
68	Remove Duke Generated REC Certificate (Account 0182374)		6,927 [10]						(6,927)	92.6008% [2]	(6,414)
69	Remove SC Save a Watt Regulatory Asset (Account 0182361)	53,636 [10]							(53,636)	0.0000%	-
70	Remove Save a Watt Regulatory Asset (Account 0182381)	115,589 [10]							(115,589)	100.0000%	(115,589)
71	Remove CPRE Rider- Asset - Retail (Account 0182528)							446 [10]	(446)	100.0000%	(446)
72	Remove NC Solar Rebate Program Costs - Asset - Retail (Account 0182560)		3,441 [10]						(3,441)	100.0000%	(3,441)
73	Remove NC Solar Amort - Asset - Retail (Account 0182563)		62 [10]						(62)	100.0000%	(62)
74	Remove Deferred Debt Return - Solar (Account 0253905)		(6,569) [10]						6,569	92.6008% [2]	6,083
75	Remove New NC EDIT for 3% - 2.5% EDIT Balance (Account 0254150)								-	100.0000%	-
76	Remove NC REC Liability - Retail (Account 0254250)		(63,386) [10]						63,386	100.0000%	63,386
77	Remove NC REC Liability - Wholesale (Account 0254251)		(5,973) [10]						5,973	0.0000%	-
78	Remove CPRE Rider - Preliminary Survey (0183000)							4,220	(4,220)	67.4345% [17]	(2,846)
79	Impact to working capital investment (Sum L67 through L78)								<u>\$ (105,433)</u>		<u>\$ (56,588)</u>

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Line No.	Description	EE	REPS	EDIT	Green Source	EDPR	BPM	HB 589	Adjustment to Total Carolinas	NC Retail Allocation	Total NC Retail
80											
81	Accumulated deferred income tax:										
82	Applicable working capital investment (L79 - L 68 - L 74 - L 78)								\$ (100,855)		\$ (53,411)
83	Deferred tax rate								23.3503% [7]		23.3503% [7]
84	Impact to accumulated deferred income tax (-L82 x L83)								\$ 23,550		\$ 12,472
85											
86	Impact to rate base (L57 + L61 + L64 + L79 + L84)								\$ (141,806)		\$ (99,833)

- [1] NC-0605 - Journal Detail
[2] Allocation Factor - MWH at Generation Level - NC State Only
[3] NC-0602 - Detail SAW Costs by Approved Program (Carolinas System)
[4] Allocation Factor - MWH Sales Excluding Intersystem (Factor 6) - Retail Only
[5] Allocation Factor - Demand at Generation Level (Factor 1) - Retail Only
[6] Allocation Factor - 0403600 - Solar Above Cap (Original Solar DG Program) - NC State Only
[7] NC-0104 - 2018 Calculation of Tax Rates - Statutory and Deferred Tax Rate, Line 10
[8] NC-0603 - Eliminate Solar Costs - Per Book
[9] Allocation Factor - Demand at Generation Level (Factor 1) - NC State Only
[10] E-1 Item 2, Trial Balance
[11] E1-45 Cost of Service Study
[12] NC-0606 - State EDIT rider From DEC 2017 rate case
[13] NC-0604 - Green Source Premium and Admin Expenses
[14] Allocation Factor - All Labor
[15] NC-0607 - Adjust EDPR Rider
[16] NC-0608 - Remove BPM Rider
[17] Allocation Factor - All - Production Demand
[18] Remove additional CPRE related O&M dollars identified during internal review. These dollars were allocated using MWHs at Generation within the COS.

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Detail SAW Costs by Approved Program (Carolinas System)

12 Months Ended 12-31-2018

Note: Groupings of cost are based on approved programs

Line No.	Description	Product ID	Costs by Product	% to Total	Allocation of Overhead	Total Costs Including Overhead
1						
2	Energy Efficiency Education					
3	K12 Performance	K12PRF	1,914,757	1.2%	67,616	1,982,374
4	Energy Efficiency Education		1,914,757		67,616	1,982,374
5						
6	Home Energy Comparison Report	HECR	11,722,321	7.6%	413,953	12,136,274
7						
8	Low Income Services					
9	Refrigerator Replacement	REFRPL	265,801	0.2%	9,386	275,187
10	Weatherization-Electric	WZELEC	2,554,895	1.7%	90,222	2,645,117
11	Low Income Services		2,820,697		99,608	2,920,304
12						
13	Non Res Energy Assessments					
14	Non-Res Custom Enrgy Dsgn As	NRCEDA	476	0.0%	17	493
15	Non-Res Custom Assessment	NRCAMT	393,812	0.3%	13,907	407,718
16	Non Res Energy Assessments		394,287		13,924	408,211
17						
18	Behavioral Services					
19	Behavioral - Commercial Office	BHAVCO	211,772	0.1%	7,478	219,250
20	Behavioral - Healthcare	BHAVHC	1,049	0.0%	37	1,086
21	Behavioral Services		212,821		7,515	220,336
22						
23						
24	Non Res Smart Saver					
25	Non-Res Pres-Food Service	NRFS	227,808	0.1%	8,045	235,853
26	Non-Res Pres-HVAC	NRHVAC	1,567,101	1.0%	55,339	1,622,441
27	Non-Res Pres-Lighting	NRLTG	25,016,027	16.2%	883,397	25,899,424
28	Non-Res Information Technology	NRIT	35,655	0.0%	1,259	36,914
29	Non-Res Pres-Pumps & Motors	NRP&M	268,592	0.2%	9,485	278,077
30	Non-Res Pres-Process Equip	NRPROC	65,275	0.0%	2,305	67,580
31	Non-Res Pay for Performance	NRPPRF	463,735	0.3%	16,376	480,111
32	Non-Res Custom Incentive (DE	NRCUST	5,869,452	3.8%	207,269	6,076,722
33	Non Res Smart Saver		33,513,645		1,183,475	34,697,121
34						
35	Power Manager	PWRMGR	13,973,045	9.1%	493,434	14,466,479 [A]
36						
37	Power Share	PWRSHR	12,519,324	8.1%	442,098	12,961,422 [A]
38						
39	Small Business EE DR	SBEEDR	2,962,104	1.9%	104,601	3,066,705 [A]
40						
41	Small Business Direct Install	SSBDIR	15,449,386	10.0%	545,568	15,994,954
42						
43	Home Energy House Call	HEHC	2,725,069	1.8%	96,231	2,821,300
44						
45	Residential Neighborhood Program	HWLI	3,415,102	2.2%	120,598	3,535,701
46						
47	Residential Retail Lighting	RTLLED	15,899,496	10.3%	561,463	16,460,959
48						
49	Residential Smart Saver					
50	Residential CFL Property Mgr	RCFLPM	1	0.0%	0	1
51	Residential CFL Rebate	RCFL	-	0.0%	-	-
52	Residential CFL Spec Bulbs	RCFLSP	2,414,318	1.6%	85,257	2,499,575
53	Residential LED Kits	RLED	19,470,908	12.6%	687,581	20,158,489
54	Smart Saver-Air Conditioners	SSAC	2,021,392	1.3%	71,382	2,092,774

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Line No.	Description	Product IC	Costs by Product	% to Total	Allocation of Overhead	Total Costs Including Overhead
55	Smart Saver-Attic Ins/Air Seal	SSAIAS	447,487	0.3%	15,802	463,289
56	Smart Saver-Duct Insulation	SSDINS	2,490	0.0%	88	2,578
57	Smart Saver-Duct Sealing	SSDSEA	196,502	0.1%	6,939	203,441
58	Smart Saver-Heat Pumps	SSHP	2,586,491	1.7%	91,337	2,677,829
59	Quality Installation	SSQI	426,904	0.3%	15,075	441,980
60	Smart Thermostat	SSST	1,188,099	0.8%	41,956	1,230,055
61	Heat Pump Water Heater	HPWH	69,888	0.0%	2,468	72,356
62	Multi-Family Aerators	MFEEAR	390,898	0.3%	13,804	404,702
63	Multi-Family Pipe Wrap	MFEEPW	243,130	0.2%	8,586	251,716
64	Multi-Family Showerheads	MFEEH	593,387	0.4%	20,954	614,341
65	Multi-Family MyHer	MFHECR	1,008,628	0.7%	35,618	1,044,246
66	EE Variable Speed Pool Pump	PEEPVS	255,651	0.2%	9,028	264,678
67	Energy Efficiency Referral	EER	(136,096)	-0.1%	(4,806)	(140,902)
68	Non EE Referral Revenue	NONEER	(52,398)	0.0%	(1,850)	(54,248)
69	Residential LED Property Mgr	RLEDPM	2,236,756	1.5%	78,987	2,315,743
70	Smart Meter Usage App	SMUA	246,348	0.2%	8,699	255,047
71	Single-Family Aerators	SFEEAR	416,391	0.3%	14,704	431,096
72	Single-Family Pipe Wrap	SFEEPW	293,461	0.2%	10,363	303,824
73	Single-Family Showerheads	SFEESH	559,189	0.4%	19,747	578,936
74	Residential Smart Saver		34,879,825		1,231,720	36,111,544
75						
76	Marketplace Smart Strips	MPSMST	1,573	0.0%	56	1,629
77	Marketplace Smart Thermostats	MPSMTS	1,614,819	1.0%	57,024	1,671,844
78	Marketplace Water Products	MPWTR	2,088	0.0%	74	2,162
79	Marketplace		1,618,480		57,154	1,675,634
80						
81	Overheads	NOPROD	5,438,958			
82						
83	Total Energy Efficiency & Demand Side Program Cost		159,459,318		5,438,958	159,459,318 [B]
84						
85	Total Energy Efficiency & Demand Side Program Costs					159,459,318 [B]
86	0500lxx-O&M-Prod-Expense-NC Demand-DSM/EE					30,494,606 [A]
87	0500lxx-O&M-Prod-Expense-NC Energy-DSM/EE					128,964,712 [B] - [A]

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Solar Costs - Per Book

Line No.	Description	Total	Base Rates Up to Avoided Cost	NC REPS Avoided to Cap-IC	NC Base Rates- Excess Above Cap	
1						
2	Allocation Percentages for Solar Costs Solar PVDG	100.00%	27.65%	41.68%	30.66%	[1]
3	Allocation Percentages for Solar Costs Monroe	100.00%	77.15%	3.85%	19.00%	[1]
4	Allocation Percentages for Solar Costs Mocksville	100.00%	74.52%	3.71%	21.77%	[1]
5	Allocation Percentages for Solar Costs Woodleaf	100.00%	84.00%	4.50%	11.50%	[1]
6						
7	<u>Other operation and maintenance expense - Solar:</u>					
8	Impact to other operation and maintenance expense - Solar PVDG	\$ 277	\$ 77	\$ 116	\$ 85	
9	Impact to other operation and maintenance expense - Monroe	1,224	944	47	233	
10	Impact to other operation and maintenance expense - Solar Mocksvill	383	285	14	83	
11	Impact to other operation and maintenance expense - Solar Woodlea	-	-	-	-	
12	Total other operation and maintenance expense - Solar	\$ 1,884 [2]	\$ 1,306	\$ 177	\$ 401	
13						
14	Total other operation and maintenance expense - Solar Deferral	\$ (198)		\$ (198)		
15						
16	<u>Depreciation and amortization - Solar:</u>					
17	Impact to Depreciation and amortization - Solar PVDG	\$ 1,169	\$ 323	\$ 487	\$ 359	
18	Impact to Depreciation and amortization - Solar Monroe	4,297	3,315	165	816	
19	Impact to Depreciation and amortization - Solar Mocksville	1,375	1,025	51	299	
20	Impact to Depreciation and amortization - Solar Woodleaf	-	-	-	-	
21	Total depreciation and amortization - Solar	\$ 6,841 [2]	\$ 4,663	\$ 704	\$ 1,474	
22	<u>Electric Plant in Service - Solar:</u>					
23	Impact to electric plant in service - Solar PVDG	\$ 29,306	\$ 8,104	\$ 12,216	\$ 8,986	
24	Impact to electric plant in service - Monroe	116,568	89,935	4,486	22,147	
25	Impact to electric plant in service - Solar Mocksville	31,773	23,678	1,178	6,917	
26	Impact to electric plant in service - Solar Woodleaf	13,133	11,032	591	1,510	
27	Total Electric Plant in Service - Solar	\$ 190,780 [2]	\$ 132,749	\$ 18,470	\$ 39,561	
28						
29	<u>Accumulated Depreciation - Solar:</u>					
30	Impact to accum. depr. - Solar PVDG	\$ (9,397)	\$ (2,599)	\$ (3,917)	\$ (2,881)	
31	Impact to accum. depr. - Solar Monroe	(6,589)	(5,084)	(254)	(1,252)	
32	Impact to accum. depr. - Solar Mocksville	(3,099)	(2,309)	(115)	(675)	
33	Impact to accum. depr. - Solar Woodleaf	-	-	-	-	
34	Total Accumulated Depreciation - Solar	\$ (19,085) [2]	\$ (9,992)	\$ (4,285)	\$ (4,808)	

[1] Information provided by Duke Energy Carolinas Rates and Regulatory Filings as of year end 2019.

[2] Information provided by Duke Energy Carolinas Accounting

[3] NC-0605 - Journal Detail, Line 109

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(Dollars in thousands)

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2018 Green Source Rider Premium and Admin Expenses

Line No.	Description	Total
1	Purchased Power (555)	\$ 161,345
2	Purchased Power (555)	74,458
3	Purchased Power (555)	846,535
4	Purchased power	<u>\$ 1,082,337</u>
5		
6		
7	0920000 - A and G Salaries	\$ 19,063
8	0921100 - Employee Expenses	159
9	0921200 - Office Expenses	12
10	0923000 - Outside Services Employed	811
11	0926600 - Employee Benefits - Transferred	<u>4,386</u>
12	Other operation and maintenance expense:	<u>\$ 24,431</u>
13		
14	0408000 - NC Property Tax - Electric	<u>1,357</u>
15	General taxes	<u>\$ 1,357</u>
16		
17	Total	<u><u>\$ 1,108,125</u></u>

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Journal Detail

Line No.	Account & Descr	Journal ID JD	Journal Description	Amount
1	0407350 - REPS Rider NC Retail	RECRIDER	Amortize REPS Incremental new	408,680
2	0407350 - REPS Rider NC Retail	RECRIDER	Amortize REPS Incremental	1,710,481
3	0407350 - REPS Rider NC Retail	RECRIDER	Amortize REPS Incremental EMF	(630,511)
4	0407350 - REPS Rider NC Retail	RECRIDER	Amortize REPS Incremental EMFn	(584,122)
5	0407350 - REPS Rider NC Retail	RECRIDER	Amortize REPS Incremental EMFo	(10,642)
6	0407350 - REPS Rider NC Retail	RECRIDER	Amortize REPS Incremental old	61,687
7	0407350 - REPS Rider NC Retail	RECWO_2016	Write off remainder-2016	(107,229)
8	Total 0407350 - REPS Rider NC Retail		Sum:	848,344
9				
10	0407351 - REPS Rider NC Whse	CXLWHSEREC	WHSE EMF Incremental	(83,156)
11	0407351 - REPS Rider NC Whse	CXLWHSEREC	WHSE Prospective Incremental	172,976
12	Total 0407351 - REPS Rider NC Whse		Sum:	89,820
13				
14	0407352 - REPS Rider NC Retail-Cert	RECRIDER	Defer Revenue for RECs	24,658,792
15	0407352 - REPS Rider NC Retail-Cert	RECRIDER	Defer Revenue for RECs EMF	(5,843,832)
16	0407352 - REPS Rider NC Retail-Cert	RECRIDER	Defer Revenue for RECs EMF new	(5,311,576)
17	0407352 - REPS Rider NC Retail-Cert	RECRIDER	Defer Revenue for RECs EMF old	(101,535)
18	0407352 - REPS Rider NC Retail-Cert	RECRIDER	Defer Revenue for RECs new	6,441,662
19	0407352 - REPS Rider NC Retail-Cert	RECRIDER	Defer Revenue for RECs old	873,573
20	0407352 - REPS Rider NC Retail-Cert	RECWO_2016	Write off remainder-2016	551,238
21	Total 0407352 - REPS Rider NC Retail-Cert		Sum:	21,268,322
22				
23	0407353 - REPS Rider NC Whse-Cert	CXLWHSEREC	WHSE EMF Certificates	(1,233,636)
24	0407353 - REPS Rider NC Whse-Cert	CXLWHSEREC	WHSE Prospective Certificates	2,518,192
25	Total 0407353 - REPS Rider NC Whse-Cert		Sum:	1,284,556
26				
27	0407398 - EDIT Rider Amortization	EDITRIDER	EDIT Rider Amortization	(3,016,460)
28	Total 0407398 - EDIT Rider Amortization		Sum:	(3,016,460)
29				
30	0407450 - NC Amort of Retail REC Exp	REPS_COMPL	RECs used for Retail Complianc	(16,383,758)
31	Total 0407450 - NC Amort of Retail REC Exp		Sum:	(16,383,758)
32				
33	0407451 - NC Amort of Whse REC Exp	REPS_COMPL	RECs used for Whse Complianc	(782,036)
34	Total 0407451 - NC Amort of Whse REC Exp		Sum:	(782,036)
35				
36	0411861 - RECS COS	RECSAL0418	Cost of REC Sold-Apr18-Poultry	226,600
37	0411861 - RECS COS	RECSAL0518	Cost of REC Sold-May18-Poultry	3,000
38	0411861 - RECS COS	RECSAL0618	Cost of REC Sold-Jun18-Poultry	105,800
39	Total 0411861 - RECS COS		Sum:	335,400
40				
41	0456560 - SAW Deferred Revenue	NCEE032018	EE earned rev - EE NC	160,938
42	0456560 - SAW Deferred Revenue	NCEE032018	EE earned rev - SAW NC	(19)
43	0456560 - SAW Deferred Revenue	NCEE042018	EE earned rev - EE NC	3,894,796
44	0456560 - SAW Deferred Revenue	NCEE052018	EE earned rev - EE NC	352,112
45	0456560 - SAW Deferred Revenue	NCEE0618RV	EE earned rev - EE NC TRrevisd	(707,453)
46	0456560 - SAW Deferred Revenue	NCEE062018	EE earned rev - EE NC	4,001,575
47	0456560 - SAW Deferred Revenue	NCEE072018	EE earned rev - EE NC	2,499,138
48	0456560 - SAW Deferred Revenue	NCEE082018	EE earned rev - EE NC	5,405,787
49	0456560 - SAW Deferred Revenue	NCEE092018	EE earned rev - EE NC	8,928,792
50	0456560 - SAW Deferred Revenue	NCEE102018	EE earned rev - EE NC	4,421,950
51	0456560 - SAW Deferred Revenue	NCEE112018	EE earned rev - EE NC	(3,772,661)
52	0456560 - SAW Deferred Revenue	NCEE122018	EE earned rev - EE NC	4,623,735
53	0456560 - SAW Deferred Revenue	NCSAWEE01	EE earned rev - EE NC	3,455,538
54	0456560 - SAW Deferred Revenue	NCSAWEE01	EE earned rev - SAW NC	596,828
55	0456560 - SAW Deferred Revenue	NCSAWEE02	EE earned rev - EE NC	3,776,044
56	0456560 - SAW Deferred Revenue	NCSAWEE02	EE earned rev - SAW NC	88
57	0456560 - SAW Deferred Revenue	NCSCEE2018	NCEE DEC NRLTG EM&V RESERVE	2,512,288
58	0456560 - SAW Deferred Revenue	NCSCEE2018	NCEE Revenue True-up Rider 10	(129,382)
59	Total 0456560 - SAW Deferred Revenue		Sum:	40,020,094
60				
61	0509213 - RECS Consumption Expense	REPS_COMPL	RECs used for Compliance	17,165,794
62	Total 0509213 - RECS Consumption Expense		Sum:	17,165,794

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Journal Detail

Line No.	Account & Descr	Journal ID JD	Journal Description	Amount
63	0408960 - Allocated Payroll Taxes	PYTX250006		687
64	0408960 - Allocated Payroll Taxes	PYTX250055		(11)
65	Total 0408960 - Allocated Payroll Taxes			677
66				
67	0920000 - A & G Salaries (Shared Solar)	INCN190001		466
68	0920000 - A & G Salaries (Shared Solar)	PAYRLL1678	100 Labor Distribution	251
69	0920000 - A & G Salaries (Shared Solar)	PAYRLL2117	100 Labor Distribution	803
70	0920000 - A & G Salaries (Shared Solar)	PAYRLL2188	100 Labor Distribution	927
71	0920000 - A & G Salaries (Shared Solar)	PAYRLL223	100 Labor Distribution	(381)
72	0920000 - A & G Salaries (Shared Solar)	PAYRLL2936	100 Labor Distribution	191
73	0920000 - A & G Salaries (Shared Solar)	PAYRLL4102	100 Labor Distribution	300
74	0920000 - A & G Salaries (Shared Solar)	PAYRLL4787	100 Labor Distribution	195
75	0920000 - A & G Salaries (Shared Solar)	PAYRLL4892	100 Labor Distribution	105
76	0920000 - A & G Salaries (Shared Solar)	PAYRLL7762	100 Labor Distribution	553
77	0920000 - A & G Salaries (Shared Solar)	PAYRLL8885	100 Labor Distribution	851
78	0920000 - A & G Salaries (Shared Solar)	UNPD190001		643
79	Total 0920000 - A & G Salaries (Shared Solar)			4,904
80				
81	0921100 - Employee Expenses (Shared Solar)	EXACCT0497	370606	5
82	0921100 - Employee Expenses (Shared Solar)	EXACCT4230	370606	8
83	0921100 - Employee Expenses (Shared Solar)	EXACCT6665	287189	2
84	Total 0921100 - Employee Expenses (Shared Solar)			14
85				
86	0926600 - Employee Benefits-Transferred (Shared Solar)	EPBN250006		2,083
87	0926600 - Employee Benefits-Transferred (Shared Solar)	EPBN250055		108
88	Total 0926600 - Employee Benefits-Transferred (Shared Solar)			2,191
89				
90	0930200 - Misc General Expenses (Shared Solar)	EXACCT3258	287189	434
91	0930200 - Misc General Expenses (Shared Solar)	INCN190001		432
92	0930200 - Misc General Expenses (Shared Solar)	PAYRLL7175	100 Labor Distribution	621
93	0930200 - Misc General Expenses (Shared Solar)	PAYRLL722	100 Labor Distribution	761
94	0930200 - Misc General Expenses (Shared Solar)	PAYRLL7311	100 Labor Distribution	634
95	0930200 - Misc General Expenses (Shared Solar)	PAYRLL9412	100 Labor Distribution	698
96	0930200 - Misc General Expenses (Shared Solar)	PAYRLL9948	100 Labor Distribution	697
97	0930200 - Misc General Expenses (Shared Solar)	UNPD190001		701
98	Total 0930200 - Misc General Expenses (Shared Solar)			4,978
99				
100	Total Shared Solar			12,764
101				
102	0550001 - Other Power Gen-Op Rents	MN_MK_AVSL	TrueUp Mocks Deferral O&M	3,075
103	0550001 - Other Power Gen-Op Rents	MN_MK_AVSL	TrueUp Monroe Deferral O&M	16,939
104	0550001 - Other Power Gen-Op Rents	MN_MK_DEFR	Mocksv- Deferral - O&M	(10,224)
105	0550001 - Other Power Gen-Op Rents	MN_MK_DEFR	Mocksville - Deferral - O&M	(5,240)
106	0550001 - Other Power Gen-Op Rents	MN_MK_DEFR	Monroe - Deferral - O&M	(62,548)
107	0550001 - Other Power Gen-Op Rents	SOLAR_AVSL	TrueUp Solar Deferral O&M	263,196
108	0550001 - Other Power Gen-Op Rents	SOLARDEFER	Solar - Deferral - O&M	(403,656)
109	0550001 - Other Power Gen-Op Rents		Total Solar Deferral	(198,458)
110				

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Journal Detail

Line No.	Account & Descr	Journal ID JD	Journal Description	Amount
111	0408960 - Allocated Payroll Taxes (Green Source Advantage)	PYTX250006		109
112	0408960 - Allocated Payroll Taxes (Green Source Advantage)	PYTX250055		(38)
113	0408960 - Allocated Payroll Taxes (Green Source Advantage)			71
114				
115	0920000 - A & G Salaries (Green Source Advantage)	INCN190001		291
116	0920000 - A & G Salaries (Green Source Advantage)	PAYRLL1678	100 Labor Distribution	237
117	0920000 - A & G Salaries (Green Source Advantage)	PAYRLL223	100 Labor Distribution	242
118	0920000 - A & G Salaries (Green Source Advantage)	PAYRLL2936	100 Labor Distribution	721
119	0920000 - A & G Salaries (Green Source Advantage)	PAYRLL4102	100 Labor Distribution	127
120	0920000 - A & G Salaries (Green Source Advantage)	PAYRLL4787	100 Labor Distribution	555
121	0920000 - A & G Salaries (Green Source Advantage)	PAYRLL4892	100 Labor Distribution	349
122	0920000 - A & G Salaries (Green Source Advantage)	UNPD190001		537
123	0920000 - A & G Salaries (Green Source Advantage)			3,059
124				
125	0921100 - Employee Expenses (Green Source Advantage)	EXACCT4055	482179	74
126	0921100 - Employee Expenses (Green Source Advantage)	EXACCT6665	287189	2
127	Total 0921100 - Employee Expenses (Green Source Advantage)			75
128				
129	0926600 - Employee Benefits-Transferred (Green Source Advantage)	EPBN250006		330
130	0926600 - Employee Benefits-Transferred (Green Source Advantage)	EPBN250055		382
131	Total 0926600 - Employee Benefits-Transferred (Green Source Advantage)			712
132				
133	Total Green Source Advantage (GSA)			3,917
134				
135	Grand Total			60,648,299

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State EDIT rider From DEC 2017 rate case

Line No.		(a)=(i) Prior Mth		(b)	(c)	(d) = (a) + (b)	
		Beginning Balance		NC Amortization against 0411100	NC Amortization against 190	Return against 407	NC Amortization total
1	Aug-18	(210,653,909)	\$	3,352,613	\$1,036,010	\$ 603,292	\$ 4,991,915
2	Sep-18	(206,822,232)		3,352,613	1,036,010	603,292	4,991,915
3	Oct-18	(202,968,939)		3,352,613	1,036,010	603,292	4,991,915
4	Nov-18	(199,093,908)		3,352,613	1,036,010	603,292	4,991,915
5	Dec-18	(195,197,016)		3,352,613	1,036,010	603,292	4,991,915
				<u>\$ 16,763,067</u>	<u>\$5,180,049</u>	<u>\$ 3,016,458</u>	<u>\$24,959,574</u>

[1]

[1] Regulatory asset 0254150 and the associated ADIT for that regulatory asset are excluded from rate base

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Adjust Existing DSM

Line No.	Description	12 ME December	Total NC Retail
1	INTERRUPTIBLE SERVICE CREDITS	\$ 3,750,872	
2	STANDBY GENERATOR PAYMENTS	\$332,085	
3	WHOLESALE A/C LOAD CONTROL CREDITS	\$341,504	
4	WHOLESALE INTERRUPTIBLE SERVICE CREDITS	\$1,181,392	
5	WHOLESALE ENERGY PENALTY	(\$43,652)	
6	WHOLESALE ENERGY CREDITS	\$2,067	
7	TOTAL Expense in 0557000 - Other Expenses - Oper	\$ 5,564,267 [3]	67.4345% [1] \$ 3,752,237
8			
9	<u>Amount included in base rates</u>	<u>kWh</u>	
10	2018 Per Book kWh	59,480,702,588 [2]	
11	Experienced EDPR rate (NC Retail L7 / L10)		0.000063
12	EDPR Existing Base Rate		0.000067 [4]
13	Difference		(0.000004)
14			
15	Remove Deferred Dsm Costs - NC (Account 0456640)	\$ (377,472) [5]	\$ 377,472
16			
17	Total Adjustment to revenue		\$ 377,472

[1] All Production Demand Allocation Factor.

[2] E1-42 Column E. Per Book kWh

[3] E7 Sub 1026 DEC Amended EDPR Rider 6/17/2019

[4] E7 Sub 1026 DEC Order Approving EDPR Rider 6/25/2019

[5] E-1 Item 2, Trial Balance

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January

Remove BPM Rider

Line No.	Description	12 ME December	Sharing %	NCR	Total NC Retail
1	<u>Electric operating revenue</u>				
2	0447lxx-Sales For Resale-Outside-BPM NC Sharing	\$6,195,544	90%	65.98% [1]	\$3,678,809
3	0447lxx-I/C Joint Disp-Revenue-BPM NC Sharing	(255,421)	90%	65.98%	(151,665)
4	Total Revenues Subject to Sharing	\$5,940,123			\$3,527,145
5					
6	<u>Fuel used in electric generation:</u>				
7	0501lxx-Fuel-NC Intersystem Fuel-BPM & WO Sharing-NCR	\$1,628,221	90%	65.98%	\$966,810
8					
9	<u>Other operation and maintenance expense:</u>				
10	0500lxx-O&M-Prod-Expense-BPM & WO Sharing-NCR	\$387,458	90%	65.98%	\$230,066
11	0566lxx-O&M-Trans-Expense-BPM & WO Sharing-NCR	116,019	90%	65.98%	68,890
12	0566lxx-O&M-Trans-Tariff-BPM & WO Sharing-NCR	245,056	90%	65.98%	145,510
13	Total O&M	\$748,533			\$444,466
14					
15	<u>General taxes</u>				
16	0408lxx-Employer FICA Tax-BPM & WO Sharing-NCR	\$15,352	90%	65.98%	\$9,116
17					
18	Total Sharing EBIT	\$3,548,017			\$2,106,753
19					
20	0449100 - Provisions For Rate Refunds	[2] (\$10,271,560)		100%	(\$10,271,560)

[1] 2017 All - MWHs at Generation - NC Retail

[2] E-1 Item 2, Trial Balance

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Annualize depreciation on year end plant balances
For the test period ended December 31, 2018

NC-0800
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma annualizes depreciation expense, income taxes, and amortization of investment tax credit to reflect a full year's level of depreciation on plant in service as of the end of the test period.

The impact to depreciation expense is determined by multiplying current depreciation rates times the level of plant in service as of the end of the test period and then subtracting actual depreciation expense booked during the test period.

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

The impact to amortization of investment tax credit reflects the difference between actual amortization booked during the test period and the new annual level of amortization based on the tax forecast.

There is no impact to accumulated depreciation shown on this proforma due to adjusting accumulated depreciation on NC-1000 - Adjust for post test year additions to plant in service.

January Update

Updated NC-0803 for change in treatment of catalyst depreciation and updated solar percentages based on updated NC-0603(E).

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Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense		-	-	-
11	Depreciation and amortization	NC-0801	59,052	59,172	(121)
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-0801	(13,789)	(13,817)	28
15	Amortization of investment tax credit	NC-0801	690	690	-
16					
17	Total electric operating expenses	Sum L8 through L15	45,953	46,045	(92)
18					
19	Operating income	L4 - L17	\$ (45,953)	\$ (46,045)	\$ 92
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization	NC-0801	-	-	-
30	Electric plant in service, net	Sum L28 through L29	-	-	\$ -
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment	NC-0801	-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes	NC-0801	-	-	-
39	Operating reserves		-	-	-
40			-	-	-
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Impact to Income Statement Line Items</u>			
2	<u>Depreciation and amortization:</u>			
3	Production (Line 30) - L6 - L7	\$ 69,728 [1]	67.4345% [2]	\$ 47,021
4	Production Contra ADC - NC (Line 28)	(327) [1]	100.0000%	(327)
5	Production Contra ADC - SC (Line 29)	(134) [1]	0.0000%	-
6	Production Direct assigned to NC (Line 4 + Line 24)	5,639 [1]	100.0000%	5,639
7	Production Direct assigned to SC (Sum (Lines 5,10,15,25))	10,673 [1]	0.0000%	-
8	Transmission (Line 41) - L11 - L12	284 [1]	52.6634% [3]	150
9	Transmission Contra ADC - NC (Line 39)	(0) [1]	100.0000%	(0)
10	Transmission Contra ADC - SC (Line 40)	(2) [1]	0.0000%	-
11	Transmission Direct assigned to NC (Line 36)	1 [1]	100.0000%	1
12	Transmission Direct assigned to SC (Line 37)	(140) [1]	0.0000%	-
13	NC Distribution (Line 46) - L14	9,690 [1]	99.6471% [4]	9,656
14	Distribution Direct assigned to NC (Line 45)	59 [1]	100.0000%	59
15	SC Distribution (Line 52) - L17	4,218 [1]	0.0000% [5]	-
16	Distribution Contra ADC - SC (Line 51)	(0) [1]	0.0000%	-
17	Distribution Direct assigned to SC (Line 49)	5,018 [1]	0.0000%	-
18	General (Line 71) - L20	(4,291) [1]	69.0221% [6]	(2,961)
19	General Contra ADC - SC (Line 70)	17 [1]	0.0000%	-
20	General Direct assigned to SC (Line 68)	(1,469) [1]	0.0000%	-
21	Intangible (Line 75)	- [1]	69.0221% [6]	-
22	Intangible Contra ADC - SC (Line 76)	- [1]	0.0000%	-
23	Adjust to deprec. and amort. (Sum L3 through L22)	\$ 98,964		\$ 59,236
24				
25	Adjust to deprec. and amort. for costs recovered in riders	\$ (274) [7]	67.4345%	\$ (185)
26				
27	Impact to depreciation and amortization (L23 + L25)	\$ 98,690		\$ 59,052
28				
29	Statutory tax rate	23.3503% [8]		23.3503% [8]
30	Impact to income taxes (-L27 x L29)	\$ (23,044)		\$ (13,789)
31				
32	<u>Amortization of investment tax credit</u>			
33	Estimated annual investment tax credit	\$ (4,230) [10]	67.0436% [11]	\$ (2,836)
34	0411410 - Invest Tax Credit Adj - Electric	(5,259) [9]	67.0436% [11]	(3,526)
35	Impact to amort. of invest. tax credit (L33 - L34)	\$ 1,029		\$ 690
36				
37	Impact to operating income (-L27 - L30 - L35)	\$ (76,675)		\$ (45,953)

[1] NC-0802 - Adjustment to Annualize Depreciation Expense at Dec. 31, 2018

[2] Allocation Factor - All Production Demand

[3] Allocation Factor - All Transmission Demand

[4] Allocation Factor - NC - Dist Plant - DEC

[5] Allocation Factor - SC - Dist Plant - DEC

[6] Allocation Factor - All - Intang and Gen Plt

[7] NC-0803 - Adjustment to Annualize Depreciation Expense at Dec. 31, 2018 - Costs recovered through riders

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

[9] E-1 Item 2 - Trial Balance - Account 0411410

[10] Information provided by Duke Energy Carolinas Tax Department

[11] Allocation Factor - Cost of Service - Investment Tax Credit Amortization

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Source: Duke Energy Carolinas - Asset Accounting

Adjustment to Annualize Depreciation Expense at Dec. 31, 2018

Line No.	Function	Plant in Service 12/31/2018	Depr Rate	Current Rates Calculated Accrual	Actual 12ME Depr Booked	Difference
1	<u>STEAM: [1]</u>					
2	- Steam	\$ 8,296,438,587	3.41%	\$ 282,896,676	\$ 260,980,355	\$ 21,916,321
3	- Steam - Right of Way	2,003,856	0.00%	-	-	- [2]
4	- Steam - NC Deferrals	-	3.41%	-	\$ (1,819,713)	1,819,713
5	- Steam - SC Deferrals	-	3.41%	-	\$ (1,740,430)	1,740,430
6		<u>\$ 8,298,442,443</u>		<u>\$ 282,896,676</u>	<u>\$ 257,420,212</u>	<u>\$ 25,476,464</u>
7	<u>NUCLEAR: [1]</u>					
8	- Nuclear	\$ 8,518,494,364	3.39%	\$ 288,434,455	\$ 249,828,183	\$ 38,606,272
9	- Nuclear - Right of Way	956,542	1.70%	16,272	16,712	(440)
10	- Nuclear - SC Deferrals	-	3.39%	-	(5,516,080)	5,516,080
11		<u>\$ 8,519,450,906</u>		<u>\$ 288,450,727</u>	<u>\$ 244,328,815</u>	<u>\$ 44,121,912</u>
12	<u>HYDRO: [1]</u>					
13	- Hydro/Other	\$ 2,134,201,727	1.87%	\$ 39,880,636	\$ 39,423,189	\$ 457,447
14	- Hydro - Right of Way	23,590,058	0.62%	145,399	148,085	(2,686)
15	- Hydro - SC Deferrals	-	1.87%	-	14,663	(14,663)
16		<u>\$ 2,157,791,785</u>		<u>\$ 40,026,035</u>	<u>\$ 39,585,937</u>	<u>\$ 440,098</u>
17	<u>OTHER PRODUCTION: [1]</u>					
18	-Other (CTs)	\$ 2,947,632,247	2.96%	\$ 87,263,237	\$ 81,865,645	\$ 5,397,592
19	-Other (CTs Land)	7,693	4.45%	342	-	342
20	-Other (Solar-Mocksville)	31,773,280	4.98%	1,583,450	1,375,446	208,004
21	-Other (Solar-Monroe)	116,568,189	5.06%	5,898,350	4,296,565	1,601,785
22	-Other (Solar-Woodleaf)	13,132,818	5.06%	664,520	-	664,520
23	-Other (Solar-Roof top)	29,305,913	5.42%	1,587,563	1,169,209	418,354
24	-Other - NC Deferrals	-	2.96%	-	(3,818,968)	3,818,968
25	-Other - SC Deferrals	-	2.96%	-	(3,431,572)	3,431,572
26	Other Production	<u>\$ 3,138,420,140</u>		<u>\$ 96,997,462</u>	<u>\$ 81,456,325</u>	<u>\$ 15,541,137</u>
27	Total Production, Including Contra ADC	<u>\$ 22,114,105,274</u>		<u>\$ 708,370,901</u>	<u>\$ 622,791,289</u>	<u>\$ 85,579,611</u>
28	Production Contra ADC - NC	(119,693,499)		(4,067,365)	(3,740,586)	(326,779)
29	Production Contra ADC - SC	(98,372,471)		(3,332,835)	(3,198,803)	(134,032)
30	Total Production, Excluding Contra ADC	<u>\$ 22,332,171,244</u>		<u>\$ 715,771,101</u>	<u>\$ 629,730,678</u>	<u>\$ 86,040,422</u>
31						
32	<u>TRANSMISSION: [1]</u>					
33	- Transmission - Right of Way	\$ 163,058,408	1.15%	\$ 1,875,172	\$ 2,015,658	\$ (140,486)
34	- Transmission	3,871,036,911	2.05%	79,291,438	78,869,111	422,327
35	- Transmission Expansion Projects (TEP)	(14,663,970)	0.00%	(603,770)	(603,770)	- [3]
36	- Transmission - NC Deferrals	-	2.05%	-	(885)	885
37	- Transmission - SC Deferrals	-	2.05%	-	140,164	(140,164)
38	Total Transmission, Including Contra ADC	<u>\$ 4,019,431,348</u>		<u>\$ 80,562,839</u>	<u>\$ 80,420,277</u>	<u>\$ 142,562</u>
39	Transmission Plant Contra ADC - NC	(1,028,277)	2.05%	(21,062)	(20,883)	(180)
40	Transmission Plant Contra ADC - SC	(2,590,819)	2.05%	(53,068)	(51,093)	(1,975)
41	Total Transmission, Excluding Contra ADC	<u>\$ 4,023,050,444</u>		<u>\$ 80,636,970</u>	<u>\$ 80,492,253</u>	<u>\$ 144,717</u>

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Adjustment to Annualize Depreciation Expense at Dec. 31, 2018

Line No.	Function	Plant in Service 12/31/2018	Depr Rate	Current Rates Calculated Accrual	Actual 12ME Depr Booked	Difference
42	<u>DISTRIBUTION: [1]</u>					
43	- Distribution - NC	\$ 8,924,424,504	2.27%	\$ 202,861,711	\$ 193,160,957	\$ 9,700,754 [4]
44	- Distribution - NC - Right of Way	8,419,227	1.37%	115,344	126,282	(10,939)
45	- Distribution - NC Deferrals	-	2.27%	-	(59,078)	59,078
46	Subtotal Distribution NC	<u>\$ 8,932,843,731</u>		<u>\$ 202,977,055</u>	<u>\$ 193,228,161</u>	<u>\$ 9,748,894</u>
47	- Distribution Plant- SC	\$ 3,097,555,174	2.27%	\$ 70,410,741	\$ 66,191,971	\$ 4,218,770
48	- Distribution - SC - Right of Way	1,014,909	1.37%	13,904	15,367	(1,463)
49	- Distribution - SC Deferrals	-	2.27%	-	(5,018,002)	5,018,002
50	Subtotal Distr. SC, Including Contra ADC	<u>\$ 3,098,570,084</u>		<u>\$ 70,424,645</u>	<u>\$ 61,189,337</u>	<u>\$ 9,235,309</u>
51	Distribution Plant - SC - Contra ADC	(398,863)		(8,468)	(8,239)	(229)
52	Subtotal Distr. SC, Excluding Contra ADC	<u>\$ 3,098,968,947</u>		<u>\$ 70,433,113</u>	<u>\$ 61,197,576</u>	<u>\$ 9,235,538</u>
53	Total Distribution Excluding Contra	<u>\$ 12,031,812,678</u>		<u>\$ 273,410,168</u>	<u>\$ 254,425,737</u>	<u>\$ 18,984,431</u>
54						
55	<u>GENERAL: [1]</u>					
56	Structures/Lease Improvements	\$ 675,049,911	3.22%	\$ 21,736,607	\$ 20,108,180	\$ 1,628,427
57	Furniture and Equipment	48,878,029	6.67%	3,260,165	4,258,451	(998,285)
58	EDP Computer	113,710,528	12.50%	14,213,816	13,491,796	722,020
59	Vehicles	12,636,777	n/a	-	-	- [5]
60	Construction Equipment	14,752,514	n/a	-	-	- [5]
61	Stores Equipment	1,076,520	5.00%	53,826	69,234	(15,408)
62	Tools, Shop and Garage Equipment	104,793,596	5.00%	5,239,680	5,873,941	(634,261)
63	Laboratory Equipment	5,877,459	6.67%	392,027	574,778	(182,751)
64	Power Operated Equipment	9,797,880	6.54%	640,781	776,874	(136,093)
65	Communication Equipment	153,219,179	10.00%	15,321,918	19,779,988	(4,458,070)
66	Miscellaneous Equipment	10,275,692	5.00%	513,785	713,239	(199,454)
67	Land Rights	550,292	1.51%	8,309	8,373	(64)
68	SC Deferrals	-		-	1,468,675	(1,468,675)
69	Total General, Including Contra ADC	<u>\$ 1,150,618,378</u>	5.34%	<u>\$ 61,380,914</u>	<u>\$ 67,123,529</u>	<u>\$ (5,742,615)</u>
70	Total General Plant Contra ADC - SC	(152,220)		(19,027)	(35,726)	16,699
71	Total General, Excluding Contra ADC	<u>\$ 1,150,770,598</u>		<u>\$ 61,399,941</u>	<u>\$ 67,159,255</u>	<u>\$ (5,759,314)</u>
72	Total Plant-in-Service Excluding Intangible	<u>\$ 39,315,568,815</u>		<u>\$ 1,123,716,354</u>	<u>\$ 1,024,752,593</u>	<u>\$ 98,963,761</u>
73						
74	<u>INTANGIBLE:</u>					
75	Intangible	\$ 986,750,870		\$ 65,733,147	\$ 65,733,147	\$ - [6]
76	Intangible Plant Contra ADC	(7,699,849)		(1,539,970)	(1,539,970)	- [6]
77	Total Intangible Excluding Contra ADC	<u>\$ 994,450,719</u>		<u>\$ 67,273,116</u>	<u>\$ 67,273,116</u>	<u>\$ -</u>
78	Total Plant-in-Service	<u>\$ 40,302,319,685</u>		<u>\$ 1,189,449,501</u>	<u>\$ 1,090,485,740</u>	<u>\$ 98,963,761</u>
79	Total Contra ADC	(229,935,998)		(9,041,796)	(8,595,300)	(446,496)
80	Total Plant-in-Service Excluding Contra ADC	<u>\$ 40,532,255,683</u>		<u>\$ 1,198,491,296</u>	<u>\$ 1,099,081,040</u>	<u>\$ 99,410,257</u>

[1] Total plant-in-service excludes non-depreciable assets & capitalized asset retirement costs related to FAS 143.

[2] Fossil land rights are fully depreciated/amortized and no longer accrue any expense

[3] The TEP credit is due to an impairment recorded as part of the Progress Merger.

[4] The actual 12ME Depr Booked column includes the amortization of the unrecovered net book value of retired meters booked to account 0407115 per the E-1 Item 2 - Trial Balance.

[5] Depreciation expense on vehicles and construction equipment is recorded to 803 accounts, therefore it is excluded above.

[6] The per book intangible amount reflects a representative level of amortization expense on a go forward basis.

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Adjustment to Annualize Depreciation Expense at Dec. 31, 2018 - Costs recovered through riders

Line No.	Function	Plant in Service 12/31/2018 [1]	Depr Rate [1]	Current Rates Calculated Accrual	Actual 12ME Depr Booked [1]	Difference	Adjustment
1	-Steam 312 - SCR Catalyst	\$ 144,519,786	3.23%	\$ 4,667,989	\$ 4,859,170	\$ (191,181)	\$ - [2]
2	-Other - Solar-Mocksville	31,773,280	4.98%	1,583,450	1,375,446	208,004	(7,717) [3]
3	-Other - Solar-Monroe	116,568,189	5.06%	5,898,350	4,296,565	1,601,785	(61,669) [4]
4	-Other - Solar-Woodleaf	13,132,818	5.06%	664,520	-	664,520	(29,903) [5]
5	-Other - Solar-Roof top	29,305,913	5.42%	1,587,563	1,169,209	418,354	(174,370) [6]
		<u>\$ 335,299,987</u>		<u>\$ 14,401,872</u>	<u>\$ 11,700,390</u>	<u>\$ 2,701,482</u>	<u>\$ (273,659)</u>

[1] Duke Energy Carolinas - Asset Accounting

[2] In the supplemental January update, DEC is no longer proposing to flow catalyst depreciation expense through the fuel rider, therefore this adjustment is no longer needed.

[3] Per NC-0603, 3.71% of Solar Mocksville costs are collected in the REPS rider and should be excluded for purposes of this analysis

[4] Per NC-0603, 3.85% of Solar Monroe costs are collected in the REPS rider and should be excluded for purposes of this analysis

[5] Per NC-0603, 4.50% of Solar Woodleaf costs are collected in the REPS rider and should be excluded for purposes of this analysis

[6] Per NC-0603, 41.68% of Solar PVDG costs are collected in the REPS rider and should be excluded for purposes of this analysis

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Adjust for post test year additions to plant in service
For the test period ended December 31, 2018

NC-1000
Narrative
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E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts depreciation expense, general taxes, income taxes, electric plant in service, accumulated depreciation and accumulated deferred income taxes to reflect net additions to plant in service.

The impact to operating income is determined as follows:

The adjustment to depreciation expense reflects a full year's level of depreciation on net additions to plant in service by multiplying the projected net additions to electric plant by depreciation rates based on the new depreciation study.

The adjustment to general taxes reflects estimated annual property tax expense related to the net additions to plant in service. Property taxes are estimated by multiplying the projected net additions to electric plant by a combined North Carolina and South Carolina property tax rate.

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

The impact to rate base is determined as follows:

The adjustment to electric plant in service reflects projected updates to electric plant in service through January 2020.

The adjustment to accumulated depreciation reflects projected updates to the accumulated depreciation balance through January 2020 and annualized depreciation expense based on forecasted January 2020 electric plant in service balances.

The adjustment to working capital investments reflects projected updates to the unrecovered net book value of retired meters regulatory asset through January 2020.

The adjustment to accumulated deferred income taxes reflects the impacts of forecasted bonus depreciation on gross plant additions through January 2020.

September Update

Updated NC-1005, NC-1008, NC-1009 and NC-1010 for actuals through September 2019.

October Update

Updated NC-1005, NC-1008, NC-1009 and NC-1010 for actuals through October 2019.

November Update

Updated NC-1005, NC-1008, NC-1009 and NC-1010 for actuals through November 2019.

December Update

Updated NC-1005, NC-1006, NC-1007, NC-1008, NC-1009 and NC-1010 for actuals through December 2019.

January Update

Updated NC-1001, NC-1005, NC-1006, NC-1007, NC-1008, NC-1009 and NC-1010 for actuals through January 2020.

Updated NC-1004 for revised estimated 2019 bonus depreciation.

Updated NC-1002, NC-1003, and NC-1006 for updated solar percentages being recovered in the REPS rider.

Updated NC-1001 to remove the impact of AMR meter retirements from the depreciation expense calculation.

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Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense		-	-	-
11	Depreciation and amortization	NC-1001	61,010	50,629	10,380
12	General taxes	NC-1001	9,257	6,771	2,486
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1001	(16,407)	(13,403)	(3,004)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	53,859	43,998	9,862
18					
19	Operating income	L4 - L17	<u>\$ (53,859)</u>	<u>\$ (43,998)</u>	<u>\$ (9,862)</u>
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service	NC-1001	\$ 1,817,054	\$ 1,355,958	\$ 461,096
29	Accumulated depreciation and amortization	NC-1001	(606,554)	(619,363)	12,809
30	Electric plant in service, net	Sum L28 through L29	<u>\$ 1,210,500</u>	<u>\$ 736,595</u>	<u>\$ 473,905</u>
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		39,542	(4,945)	44,487
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes	NC-1001	(42,256)	(17,144)	(25,112)
39	Operating reserves		-	-	-
40			-	-	-
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	<u>\$ 1,207,785</u>	<u>\$ 714,506</u>	<u>\$ 493,279</u>
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Line No.	Description	Electric Plant	Depr Rate	Depr.	Total Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Impact to Rate Base Line Items</u>						
2	<u>Total net additions to electric plant:</u>						
3	Fossil	\$ 607,500	[1] 4.40%	[2] \$ 26,730			
4	Nuclear	220,792	[1] 3.60%	[2] 7,949			
5	Hydro	193,728	[1] 2.00%	[2] 3,875			
6	Other Production	122,635	[1] 3.21%	[2] 3,937			
7	Transmission	432,370	[1] 2.23%	[2] 9,642			
8	Distribution	980,248	[1] 2.20%	[17] 21,588			
9	Distribution - AMR Meter Retirements	(64,113)	[16]				
10	General	137,151	[1] 5.27%	[2] 7,228			
11	Intangible	65,573	[1]	[13] 9,164			
12	Total net additions to depreciable electric plant (L3 through L11)	<u>\$ 2,695,884</u>		<u>\$ 90,111</u>			
13							
14	<u>Summary of impacts to rate base</u>						
15	<u>Net additions to total electric plant in service:</u>						
16	Production (Sum of L3 through L6)				\$ 1,144,656	67.4345% [4]	\$ 771,893
17	Transmission (L7)				432,370	52.6634% [5]	227,701
18	Distribution (L8 + L9)				916,135	73.9558% [6]	677,535
19	General (L10)				137,151	69.0221% [7]	94,664
20	Intangible (L11)				65,573	69.0221% [7]	45,260
21	Impact to electric plant in service (Sum L16 through L20)				<u>\$ 2,695,884</u>		<u>\$ 1,817,054</u>
22							
23	<u>Accumulated depreciation & amortization:</u>						
24	Production				\$ (638,835) [3]	67.4345% [4]	\$ (430,796)
25	Transmission				(29,830) [3]	52.6634% [5]	(15,709)
26	Distribution				(75,007) [3]	73.9558% [6]	(55,472)
27	General				(32,323) [3]	69.0221% [7]	(22,310)
28	Intangible				(72,644) [3]	69.0221% [7]	(50,140)
29	Adjustment to accumulated depreciation & amortization (Sum L24 through L28)				<u>\$ (848,640)</u>		<u>\$ (574,428)</u>
30	Additional adjustment for Dec 31, 2019 annualization				<u>\$ (48,020) [14]</u>		<u>\$ (32,126) [14]</u>
31	Impact to accumulated depreciation and amortization (L29 + L30)				<u>\$ (896,660)</u>		<u>\$ (606,554)</u>
32							
33	<u>Net electric plant:</u>						
34	Production (L16 + L24)				\$ 505,820		\$ 341,097
35	Transmission (L17 + L25)				402,540		211,992
36	Distribution (L18 + L26)				841,127		622,063
37	General (L19 + L27)				104,827		72,354
38	Intangible (L20 + L28)				(7,071)		(4,880)
39	Adjustment to net plant (Sum L34 through L38)				<u>\$ 1,847,244</u>		<u>\$ 1,242,625</u>
40	Additional adjustment for Dec 31, 2019 annualization				<u>\$ (48,020) [14]</u>		<u>\$ (32,126) [14]</u>
41	Total net plant (L39 + L40)				<u>\$ 1,799,224</u>		<u>\$ 1,210,500</u>
42							
43	<u>Working capital investment:</u>						
44	Net change in NC Unrecovered NBV of Retired Meters				\$ 39,542 [15]		\$ 39,542
45	Impact to working capital investment (L44)				<u>\$ 39,542</u>		<u>\$ 39,542</u>
46							
47	<u>Accumulated deferred income tax:</u>						
48	<u>Resulting from additional bonus depreciation:</u>						
49	Production				\$ (37,257) [8]	68.0166% [9]	\$ (25,341)
50	Transmission				(3,859) [8]	68.0166% [9]	(2,625)
51	Distribution				(4,532) [8]	68.0166% [9]	(3,083)
52	General & Intangible				(2,903) [8]	68.0166% [9]	(1,975)
53	Adjustment resulting from additional bonus depreciation (Sum L49 through L52)				<u>\$ (48,551)</u>		<u>\$ (33,023)</u>
54	Adjustment resulting from working capital investment				<u>\$ (9,233) [15]</u>		<u>\$ (9,233) [15]</u>
55	Impact to accumulated deferred income tax (L53 + L54)				<u>\$ (57,784)</u>		<u>\$ (42,256)</u>
56							
57	Impact to rate base (L41 + L45 + L55)				<u>\$ 1,780,982</u>		<u>\$ 1,207,785</u>

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Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
58	<u>Impact to Income Statement Line Items</u>			
59	<u>Depreciation and amortization:</u>			
60	Production (Sum of L3 through L6)	\$ 42,490	67.4345% [4]	\$ 28,653
61	Transmission (L7)	9,642	52.6634% [5]	5,078
62	Distribution (L8)	21,588	73.9558% [6]	15,965
63	General & Intangible (Sum of L10 through L11)	16,392	69.0221% [7]	11,314
64	Impact to depreciation and amortization (Sum L60 through L63)	<u>\$ 90,111</u>		<u>\$ 61,010</u>
65				
66	<u>General taxes:</u>			
67	Average property tax rate - North Carolina	0.21486% [10]		
68	Average property tax rate - South Carolina	0.30770% [10]		
69	Average property tax rate-Combined NC and SC (L67 + L68)	<u>0.52256%</u>		
70				
71	Production - Excluding Solar ((L16 - NC-1002 Line 17) x L69)	\$ 5,978	67.4345% [4]	\$ 4,031
72	Production - Solar	1 [12]	67.4345% [4]	0
73	Transmission (L17 x L69)	2,259	52.6634% [5]	1,190
74	Distribution (L18 x L69)	4,787	73.9558% [6]	3,541
75	General (L19 x L69)	717	69.0221% [7]	495
76	Impact to general taxes (Sum L71 through L75)	<u>\$ 13,742</u>		<u>\$ 9,257</u>
77				
78	Taxable income (-L64 - L76)	\$ (103,853)		\$ (70,266)
79	Statutory tax rate	23.3503% [11]		23.3503% [11]
80	Impact to income taxes (L78 x L79)	<u>\$ (24,250)</u>		<u>\$ (16,407)</u>
81				
82	Impact to operating income (L78 - L80)	<u>\$ (79,603)</u>		<u>\$ (53,859)</u>

[1] NC-1002 - Net Plant Adds

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

[3] NC-1003 - Accumulated Depreciation

[4] Allocation Factor - All Production Demand

[5] Allocation Factor - All Transmission Demand

[6] Allocation Factor - All - Dist Plant - DEC

[7] Allocation Factor - All - Intang and Gen Plt

[8] NC-1004 - Accumulated Deferred Income Taxes Calculation

[9] Allocation Factor - All - NETPLT w Nfuel

[10] NC-0901 - Annualize property taxes on year end plant balances, Line 13

[11] NC-0104 - 2019 Calculation of Tax Rates - Composite Tax Rate, Line 10

[12] NC-1002 - Net Plant Additions - Solar additions are included at 20% of total based on property tax exclusion for solar assets per Duke Energy Carolinas Tax Department.

[13] Updated annualized depreciation on intangible additions per Asset Accounting.

[14] NC-1006 - Accumulated Depreciation Annualization Adjustment

[15] NC-1005 - NC Unrecovered Net Book Value of Retired Meters, Line 24 and Line 28

[16] AMR meter retirements from Asset Accounting. AMR meter retirements should not have an impact on depreciation expense, recovering retired AMR meters in reg :

[17] Distribution composite rate without AMR meter line from the proposed 2018 Depreciation Study

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Net Plant Adds

Line No.	Item	Total Carolinas		
		Actual [1] Net Change through 01/31/2020	Adjustments	Total Adjusted Net Change Plant in Service
1	<u>Electric Plant in Service:</u>			
2	Steam plant	\$ 607,500		\$ 607,500
3	Nuclear plant	220,792		220,792
4	Hydro plant	193,728		193,728
5	Other production plant	122,667	(31) [6]	122,635
6	Transmission plant	432,370		432,370
7	Distribution plant	916,135		916,135
8	General plant	137,151		137,151
9	Intangible plant	65,573		65,573
10	Total Electric Plant in Service (Sum L2 through L9)	\$ 2,695,916	\$ (31)	\$ 2,695,884
11				
12	<u>Solar Electric Plant in Service Included in Line 5 above:</u>			
13	Solar PVDG	\$ -	\$ - [2]	\$ -
14	Solar Monroe	(24)	1 [3]	(23)
15	Solar Mocksville	-	- [4]	-
16	Solar Woodleaf	711	(32) [5]	679
17	Total Solar Included in Line 5 above (Sum L13 through L16)	\$ 688	\$ (31)	\$ 657

[1] NC-1008 - Plant in Service Balances

[2] Per NC-0603, 41.68% of Solar PVDG costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[3] Per NC-0603, 3.85% of Solar Monroe costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[4] Per NC-0603, 3.71% of Solar Mocksville costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[5] Per NC-0603, 4.50% of Solar Woodleaf costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[6] Excluding the portion of net change related to Solar costs that are collected in the REPS rider.

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Accumulated Depreciation

Line No.	Item	Total Carolinas		
		Actual [1] Net Change through 01/31/2020	Adjustments	Total Adjusted Net Change Accumulated Depreciation
1	<u>Accumulated Depreciation</u>			
2	Steam plant	\$ (309,393)		\$ (309,393)
3	Nuclear plant	(236,277)		(236,277)
4	Hydro plant	8,147		8,147
5	Other production plant	(102,367)	1,054 [6]	(101,313)
6	Transmission plant	(29,830)		(29,830)
7	Distribution plant	(75,007)		(75,007)
8	General plant	(32,323)		(32,323)
9	Intangible plant	(72,644)		(72,644)
10	Total Accumulated Depreciation (Sum L2 through L9)	\$ (849,694)	\$ 1,054	\$ (848,640)
11				
12	<u>Solar Accumulated Depreciation Included in Line 5 above:</u>			
13	Solar PVDG	\$ (1,720)	\$ 717 [2]	\$ (1,003)
14	Solar Monroe	(6,369)	245 [3]	(6,124)
15	Solar Mocksville	(1,698)	63 [4]	(1,635)
16	Solar Woodleaf	(641)	29 [5]	(612)
17	Total Solar Included in Line 5 above (Sum L13 through L16)	\$ (10,428)	\$ 1,054	\$ (9,374)

[1] NC-1009 - Accumulated Depreciation Balances

[2] Per NC-0603, 41.68% of Solar PVDG costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[3] Per NC-0603, 3.85% of Solar Monroe costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[4] Per NC-0603, 3.71% of Solar Mocksville costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[5] Per NC-0603, 4.50% of Solar Woodleaf costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[6] Excluding the portion of net change related to Solar costs that are collected in the REPS rider.

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Accumulated Deferred Income Taxes Calculation

Line No.	Item	Total Carolinas Forecasted Bonus Depreciation through 01/31/2020
1	<u>Bonus Depreciation</u>	
2	Steam plant	\$ 88,973
3	Nuclear plant	3,756
4	Hydro plant	62,353
5	Other production plant	4,474
6	Transmission plant	16,525
7	Distribution plant	19,410
8	General plant	660
9	Intangible plant	11,774
10	Total Accumulated Depreciation (Sum L2 through L9)	<u>\$ 207,926</u>
11		
12	Statutory tax rate	23.3503%
13		
14	<u>Accumulated deferred income taxes (resulting from additional bonus depreciation):</u>	
15	Steam plant (-L2 x L12)	\$ (20,775)
16	Nuclear plant (-L3 x L12)	(877)
17	Hydro plant (-L4 x L12)	(14,559)
18	Other production plant (-L5 x L12)	(1,045)
19	Transmission plant (-L6 x L12)	(3,859)
20	Distribution plant (-L7 x L12)	(4,532)
21	General plant (-L8 x L12)	(154)
22	Intangible plant (-L9 x L12)	(2,749)
23	Impact to accumulated deferred income taxes (Sum L15 through L22)	<u>\$ (48,551)</u>

[1] Forecasted amounts provided by Duke Energy Carolinas - Tax Department

[2] NC-0104 - 2019 Calculation of Tax Rates - Composite Tax Rate, Line 10

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NC Unrecovered Net Book Value of Retired Meters

Line No.	Description	Total NC Retail
1	<u>NC Unrecovered NBV of Retired Meter Reg Asset Balance:</u>	
2	Dec 2018	\$ 66,567,437 [1]
3	Jan 2019	62,712,581 [2]
4	Feb 2019	62,712,581 [2]
5	Mar 2019	67,627,973 [2]
6	Apr 2019	67,627,973 [2]
7	May 2019	67,627,973 [2]
8	Jun 2019	102,882,945 [2]
9	Jul 2019	102,882,945 [2]
10	Aug 2019	102,882,945 [2]
11	Sep 2019	105,766,319 [2]
12	Oct 2019	105,766,319 [2]
13	Nov 2019	105,766,319 [2]
14	Dec 2019	106,742,670 [2]
15	Jan 2020	106,109,137 [2]
16		
17		
18		
19		
20		
21		
22		
23		
24	Actual net change through 12/31/2019 (L15 - L2)	<u>\$ 39,541,701</u>
25		
26	Statutory tax rate	23.3503% [3]
27		
28	Impact to accumulated deferred income taxes (-L24 x L26)	<u>\$ (9,233,086)</u>

[1] E-1 Item 2 - Trial Balance - Account 0182525

[2] Actual amounts provided by Duke Energy Carolinas - Asset Accounting

[3] NC-0104 - 2019 Calculation of Tax Rates - Composite Tax Rate, Line 10

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Accumulated Depreciation Annualization Adjustment

Line No.	Item	Total Carolinas	Adjustments	Total Adjusted Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Accumulated Depreciation</u>					
2	Production (Line 24)	\$ (26,577) [1]	5 [6]	\$ (26,572)	67.4345% [7]	\$ (17,918)
3	Production Contra ADC - NC (Line 22)	410 [1]		410	100.0000%	410
4	Production Contra ADC - SC (Line 23)	90 [1]		90	0.0000%	-
5	Transmission (Line 33)	(5,055) [1]		(5,055)	52.6634% [8]	(2,662)
6	Transmission Contra ADC - NC (Line 31)	(1) [1]		(1)	100.0000%	(1)
7	Transmission Contra ADC - SC (Line 32)	7 [1]		7	0.0000%	-
8	NC Distribution (Line 38)	(7,293) [1]		(7,293)	99.6471% [9]	(7,268)
9	SC Distribution (Line 43)	(2,828) [1]		(2,828)	0.0000% [10]	-
10	Distribution Contra ADC - SC (Line 42)	3 [1]		3	0.0000%	-
11	General (Line 61)	(6,790) [1]		(6,790)	69.0221% [11]	(4,686)
12	General Contra ADC - SC (Line 60)	10 [1]		10	0.0000%	-
13	Intangible (Line 67)	- [1]		-	69.0221% [11]	-
14	Intangible Contra ADC - SC (Line 66)	- [1]		-	0.0000%	-
15	Impact to accum. deprec. (Sum L2 through L14)	\$ (48,025)	\$ 5	\$ (48,020)		\$ (32,126)
16						
17	<u>Solar Accumulated Depreciation Included in Line 2 above:</u>					
18	Solar PVDG (Line 19)	\$ (0) [1]	\$ 0 [2]	\$ (0)		
19	Solar Monroe (Line 17)	1 [1]	(0) [3]	1		
20	Solar Mocksville (Line 16)	(10) [1]	0 [4]	(10)		
21	Solar Woodleaf (Line 18)	(106) [1]	5 [5]	(101)		
22	Total Solar Included in Line 2 above (Sum L18 through L21)	\$ (115)	\$ 5	\$ (110)		

- [1] NC-1007 - Adjustment to Accumulated Depreciation for Annualization of Depreciation Expense at Jan. 31, 2020
[2] Per NC-0603, 41.68% of Solar PVDG costs are collected in the REPS rider and should be excluded for purposes of this analysis.
[3] Per NC-0603, 3.85% of Solar Monroe costs are collected in the REPS rider and should be excluded for purposes of this analysis.
[4] Per NC-0603, 3.71% of Solar Mocksville costs are collected in the REPS rider and should be excluded for purposes of this analysis.
[5] Per NC-0603, 4.50% of Solar Woodleaf costs are collected in the REPS rider and should be excluded for purposes of this analysis.
[6] Excluding the portion of net change related to Solar costs that are collected in the REPS rider.
[7] Allocation Factor - All Production Demand
[8] Allocation Factor - All Transmission Demand
[9] Allocation Factor - NC - Dist Plant - DEC
[10] Allocation Factor - SC - Dist Plant - DEC
[11] Allocation Factor - All - Intang and Gen Plt

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Adjustment to Accumulated Depreciation for Annualization of Depreciation Expense at Jan. 31, 2020

Line No.	Function	Plant in Service [7] 01/31/2020	Depr Rate [8]	Current Rates Calculated Accrual	12ME Depr Booked [9]	Difference
1	STEAM: [1]					
2	- Steam	\$ 8,900,837	3.41%	\$ 303,506	\$ 295,994	\$ 7,512
3	- Steam - Right of Way	2,004	0.00%	-	-	- [2]
4		\$ 8,902,841		\$ 303,506	\$ 295,994	\$ 7,512
5	NUCLEAR: [1]					
6	- Nuclear	\$ 8,739,286	3.39%	\$ 295,910	\$ 287,040	\$ 8,871
7	- Nuclear - Right of Way	957	1.70%	16	16	0
8		\$ 8,740,243		\$ 295,927	\$ 287,056	\$ 8,871
9	HYDRO: [1]					
10	- Hydro/Other	\$ 2,327,693	1.87%	\$ 43,496	\$ 41,313	\$ 2,184
11	- Hydro - Right of Way	23,316	0.62%	144	145	(2)
12		\$ 2,351,009		\$ 43,640	\$ 41,458	\$ 2,182
13	OTHER PRODUCTION: [1]					
14	-Other (CTs)	\$ 3,069,751	2.96%	\$ 90,879	\$ 83,481	\$ 7,398
15	-Other (CTs Land)	-	4.45%	-	-	-
16	-Other (Solar-Mocksville)	31,773	4.98%	1,583	1,573	10
17	-Other (Solar-Monroe)	116,545	5.06%	5,897	5,898	(1)
18	-Other (Solar-Woodleaf)	13,844	5.06%	701	595	106
19	-Other (Solar-Roof top)	29,306	5.42%	1,588	1,588	0
20	Other Production	\$ 3,261,219		\$ 100,647	\$ 93,134	\$ 7,513
21	Total Production, Including Contra ADC	\$ 23,255,312		\$ 743,720	\$ 717,642	\$ 26,077
22	Production Contra ADC - NC [6]	(118,652)		(4,046)	(3,636)	(410)
23	Production Contra ADC - SC [6]	(99,963)		(3,371)	(3,282)	(90)
24	Total Production, Excluding Contra ADC	\$ 23,473,927		\$ 751,137	\$ 724,560	\$ 26,577
25						
26	TRANSMISSION: [1]					
27	- Transmission - Right of Way	\$ 163,896	1.15%	\$ 1,885	\$ 1,878	\$ 6
28	- Transmission	4,300,756	2.05%	88,093	83,051	5,043
29	- Transmission Expansion Projects (TEP)	(12,373)	0.00%	(611)	(611)	- [3]
30	Total Transmission, Including Contra ADC	\$ 4,452,278		\$ 89,367	\$ 84,318	\$ 5,049
31	Transmission Plant Contra ADC - NC [6]	(1,028)	2.05%	(21)	(22)	1
32	Transmission Plant Contra ADC - SC [6]	(2,885)	2.05%	(59)	(52)	(7)
33	Total Transmission, Excluding Contra ADC	\$ 4,456,192		\$ 89,447	\$ 84,392	\$ 5,055
34						
35	DISTRIBUTION: [1]					
36	- Distribution - NC	\$ 9,598,049	2.20%	\$ 210,951	\$ 203,659	\$ 7,293
37	- Distribution - NC - Right of Way	8,541	1.37%	117	116	1
38	Subtotal Distribution NC	\$ 9,606,590		\$ 211,068	\$ 203,775	\$ 7,293
39	- Distribution Plant- SC	\$ 3,338,219	2.20%	\$ 73,369	\$ 70,544	\$ 2,825
40	- Distribution - SC - Right of Way	1,015	1.37%	14	14	(0)
41	Subtotal Distr. SC, Including Contra ADC	\$ 3,339,234		\$ 73,383	\$ 70,558	\$ 2,825
42	Distribution Plant - SC - Contra ADC [6]	(494)		(11)	(8)	(3)
43	Subtotal Distr. SC, Excluding Contra ADC	\$ 3,339,727		\$ 73,394	\$ 70,566	\$ 2,828
44	Total Distribution Excluding Contra	\$ 12,946,317		\$ 284,462	\$ 274,341	\$ 10,121
45						
46	GENERAL: [1]					
47	Structures/Lease Improvements	\$ 714,205	3.22%	\$ 22,997	\$ 21,899	\$ 1,099
48	Furniture and Equipment	66,980	6.67%	4,468	3,621	846
49	EDP Computer	122,410	12.50%	15,301	14,735	566
50	Vehicles	13,598	n/a	-	-	- [4]
51	Construction Equipment	16,083	n/a	-	-	- [4]
52	Stores Equipment	1,099	5.00%	55	52	3
53	Tools, Shop and Garage Equipment	110,175	5.00%	5,509	5,346	163
54	Laboratory Equipment	6,588	6.67%	439	392	47
55	Power Operated Equipment	11,743	6.54%	768	686	82
56	Communication Equipment	209,400	10.00%	20,940	17,148	3,792
57	Miscellaneous Equipment	14,938	5.00%	747	565	182
58	Land Rights	550	1.51%	8	8	0
59	Total General, Including Contra ADC	\$ 1,287,769	5.53%	\$ 71,232	\$ 64,453	\$ 6,780
60	Total General Plant Contra ADC - SC [6]	(229)		(29)	(19)	(10)
61	Total General, Excluding Contra ADC	\$ 1,287,998		\$ 71,261	\$ 64,472	\$ 6,790
62	Total Plant-in-Service Excluding Intangible	\$ 41,941,183		\$ 1,188,771	\$ 1,140,746	\$ 48,025
63						
64	INTANGIBLE:					
65	Intangible	\$ 1,052,324		\$ 68,519	\$ 68,519	\$ - [5]
66	Intangible Plant Contra ADC [6]	(7,745)		(347)	(347)	- [5]
67	Total Intangible Excluding Contra ADC	\$ 1,060,069		\$ 68,866	\$ 68,866	\$ -
68	Total Plant-in-Service	\$ 42,993,507		\$ 1,257,290	\$ 1,209,265	\$ 48,025
69	Total Contra ADC [6]	(230,996)		(7,884)	(7,366)	(518)
70	Total Plant-in-Service Excluding Contra ADC	\$ 43,224,503		\$ 1,265,173	\$ 1,216,631	\$ 48,543

[1] Total plant-in-service excludes non-depreciable assets & capitalized asset retirement costs related to FAS 143

[2] Fossil land rights are fully depreciated/amortized and no longer accrue any expense.

[3] The TEP credit is due to an impairment recorded as part of the Progress Merger

[4] Depreciation expense on vehicles and construction equipment is recorded to 803 accounts, therefore it is excluded above

[5] The per book intangible amount reflects a representative level of amortization expense on a go forward basis

[6] Forecasted Contra AFUDC balances are not available, these lines will be updated with Jan. 31, 2020 actuals

[8] Actual amounts provided by Asset Accounting

[8] NC-0802 - Adjustment to Annualize Depreciation Expense at Dec. 31, 2018

[9] NC-1010 - Twelve Months of Depreciation Expense as of Jan. 31, 2020

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Plant in Service Balances

Line No.	Description	ACTUALS [1]														Net Change o = n - a
		Dec 2018 a	Jan 2019 b	Feb 2019 c	Mar 2019 d	Apr 2019 e	May 2019 f	Jun 2019 g	Jul 2019 h	Aug 2019 i	Sep 2019 j	Oct 2019 k	Nov 2019 l	Dec 2019 m	Jan 2020 n	
1	<u>Electric Plant in Service:</u>															
2	Steam plant	\$ 8,325,356	\$ 8,495,769	\$ 8,517,149	\$ 8,601,753	\$ 8,610,927	\$ 8,653,152	\$ 8,665,139	\$ 8,689,379	\$ 8,739,574	\$ 8,701,124	\$ 8,701,511	\$ 8,788,280	\$ 8,863,453	\$ 8,932,856	\$ 607,500
3	Nuclear plant	8,521,536	8,546,828	8,553,918	8,558,002	8,578,492	8,582,125	8,581,039	8,562,581	8,598,492	8,621,244	8,621,229	8,629,513	8,732,047	8,742,328	220,792
4	Hydro plant	2,186,536	2,190,485	2,241,360	2,251,516	2,251,934	2,255,030	2,256,885	2,263,110	2,220,524	2,221,648	2,316,823	2,324,155	2,363,331	2,380,264	193,728
5	Other production plant	3,147,776	3,148,800	3,162,993	3,186,951	3,200,136	3,208,099	3,213,079	3,212,236	3,170,058	3,213,989	3,218,038	3,217,333	3,283,781	3,270,443	122,667
6	Transmission plant	4,052,747	4,091,515	4,102,406	4,112,967	4,159,722	4,197,558	4,218,282	4,246,809	4,278,301	4,294,118	4,310,310	4,338,732	4,467,299	4,485,117	432,370
7	Distribution plant	12,085,804	12,146,676	12,197,465	12,251,658	12,278,048	12,383,589	12,453,193	12,524,982	12,614,325	12,680,933	12,769,061	12,848,362	12,894,673	13,001,938	916,135
8	General plant	1,212,985	1,213,816	1,229,224	1,232,653	1,246,417	1,250,852	1,257,384	1,262,785	1,260,466	1,284,914	1,291,004	1,301,015	1,336,864	1,350,136	137,151
9	Intangible plant	986,751	987,641	988,573	997,283	998,618	998,629	1,001,273	1,011,709	1,011,889	1,022,502	1,026,204	1,030,041	1,042,384	1,052,324	65,573
10	Total Electric Plant in Service (Sum L2 through L9)	\$ 40,519,492	\$ 40,821,530	\$ 40,993,087	\$ 41,192,783	\$ 41,324,294	\$ 41,529,034	\$ 41,646,274	\$ 41,773,590	\$ 41,893,630	\$ 42,040,471	\$ 42,254,180	\$ 42,477,431	\$ 42,983,834	\$ 43,215,407	\$ 2,695,916
11																
12	<u>Solar Electric Plant in Service Included in Line 5 above:</u>															
13	Solar PVDC	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,179	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ -
14	Solar Monroe	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,545	(24)
15	Solar Mocksville	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	-
16	Solar Woodleaf	13,133	12,335	12,640	12,942	13,060	13,497	13,168	13,416	13,479	13,840	13,840	13,840	13,844	13,844	711
17	Total Solar Included in Line 5 above (Sum L13 through L16)	\$ 190,780	\$ 189,983	\$ 190,287	\$ 190,589	\$ 190,707	\$ 191,144	\$ 190,815	\$ 191,064	\$ 191,127	\$ 191,360	\$ 191,487	\$ 191,487	\$ 191,492	\$ 191,468	\$ 688

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

[2] Forecasted amounts provided by Duke Energy Carolinas - Franchised Electric & Gas Planning and Forecasting

[3] Amounts above do not include Asset Retirement Obligation (ARO) balances

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for post test year additions to plant in service
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(Dollars in thousands)

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January

Accumulated Depreciation Balances

Line No.	Description	ACTUALS [1]														Net Change o = n - a
		Dec 2018 a	Jan 2019 b	Feb 2019 c	Mar 2019 d	Apr 2019 e	May 2019 f	Jun 2019 g	Jul 2019 h	Aug 2019 i	Sep 2019 j	Oct 2019 k	Nov 2019 l	Dec 2019 m	Jan 2020 n	
1	Accumulated Depreciation															
2	Steam plant	\$ (3,268,905)	\$ (3,333,783)	\$ (3,351,261)	\$ (3,373,798)	\$ (3,391,480)	\$ (3,444,591)	\$ (3,463,776)	\$ (3,498,622)	\$ (3,530,546)	\$ (3,531,711)	\$ (3,543,584)	\$ (3,547,129)	\$ (3,556,803)	\$ (3,578,298)	\$ (309,393)
3	Nuclear plant	(3,484,063)	(3,510,118)	(3,533,609)	(3,553,320)	(3,574,744)	(3,594,649)	(3,613,234)	(3,621,297)	(3,646,275)	(3,675,816)	(3,688,950)	(3,708,724)	(3,697,719)	(3,720,340)	(236,277)
4	Hydro plant	(978,577)	(985,781)	(975,847)	(983,262)	(986,115)	(986,575)	(989,743)	(992,088)	(974,875)	(976,127)	(974,237)	(978,955)	(968,992)	(970,429)	8,147
5	Other production plant	(872,945)	(880,581)	(901,809)	(957,636)	(934,105)	(942,844)	(952,395)	(959,074)	(956,105)	(970,350)	(977,736)	(1,008,222)	(980,631)	(975,312)	(102,367)
6	Transmission plant	(1,385,391)	(1,388,345)	(1,389,173)	(1,383,280)	(1,385,713)	(1,389,269)	(1,390,633)	(1,395,859)	(1,398,349)	(1,400,948)	(1,409,179)	(1,412,377)	(1,412,856)	(1,415,221)	(29,830)
7	Distribution plant	(4,816,028)	(4,811,514)	(4,817,712)	(4,834,287)	(4,803,188)	(4,816,192)	(4,861,484)	(4,868,967)	(4,877,327)	(4,896,046)	(4,912,860)	(4,924,270)	(4,877,987)	(4,891,035)	(75,007)
8	General plant	(414,681)	(418,639)	(421,695)	(425,217)	(425,986)	(430,400)	(435,656)	(439,993)	(431,968)	(436,124)	(439,649)	(456,642)	(442,408)	(447,005)	(32,323)
9	Intangible plant	(609,897)	(615,621)	(621,340)	(626,914)	(632,540)	(638,301)	(643,849)	(649,558)	(654,744)	(660,458)	(666,317)	(658,209)	(676,597)	(682,541)	(72,644)
10	Total Accumulated Depreciation (Sum L2 through L9)	\$ (15,830,487)	\$ (15,944,384)	\$ (16,012,447)	\$ (16,137,714)	\$ (16,133,871)	\$ (16,242,821)	\$ (16,350,769)	\$ (16,425,458)	\$ (16,470,189)	\$ (16,547,580)	\$ (16,612,512)	\$ (16,694,529)	\$ (16,613,993)	\$ (16,680,181)	\$ (849,694)
11																
12	Solar Accumulated Depreciation Included in Line 5 above:															
13	Solar PVDG	\$ (9,397)	\$ (9,529)	\$ (9,662)	\$ (9,794)	\$ (9,926)	\$ (10,058)	\$ (10,191)	\$ (10,323)	\$ (10,455)	\$ (10,460)	\$ (10,720)	\$ (10,852)	\$ (10,984)	\$ (11,117)	\$ (1,720)
14	Solar Monroe	(6,589)	(7,079)	(7,570)	(8,061)	(8,550)	(9,039)	(9,530)	(10,020)	(10,509)	(11,000)	(11,490)	(11,980)	(12,468)	(12,958)	(6,369)
15	Solar Mocksville	(3,099)	(3,230)	(3,361)	(3,492)	(3,622)	(3,752)	(3,883)	(4,014)	(4,144)	(4,275)	(4,406)	(4,537)	(4,667)	(4,797)	(1,698)
16	Solar Woodleaf	-	(48)	(94)	(141)	(189)	(237)	(287)	(336)	(386)	(436)	(487)	(538)	(589)	(641)	(641)
17	Total Solar Included in Line 5 above (Sum L13 through L16)	\$ (19,085)	\$ (19,886)	\$ (20,686)	\$ (21,487)	\$ (22,286)	\$ (23,088)	\$ (23,891)	\$ (24,693)	\$ (25,495)	\$ (26,171)	\$ (27,103)	\$ (27,907)	\$ (28,708)	\$ (29,513)	\$ (10,428)

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

[2] Forecasted amounts provided by Duke Energy Carolinas - Franchised Electric & Gas Planning and Forecasting

[2] Amounts above do not include Asset Retirement Obligation (ARO) balances

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Twelve Months of Depreciation Expense as of Jan. 31, 2020

No.	Description	ACTUALS [1]														12 MONTHS
		Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	n = sum(b:m)	
		a	b	c	d	e	f	g	h	i	j	k	l	m		
1	Function															
2	Steam plant	\$ 23,648	\$ 24,018	\$ 24,083	\$ 24,300	\$ 24,999	\$ 24,567	\$ 24,429	\$ 24,776	\$ 24,629	\$ 24,645	\$ 25,592	\$ 24,653	\$ 25,302	\$ 295,994	
3	Steam plant - Right of Way	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Nuclear plant	23,651	23,830	23,859	23,875	23,916	23,927	23,906	23,853	23,984	24,038	24,030	23,465	24,356	287,040	
5	Nuclear plant - Right of Way	1	1	1	1	1	1	1	1	1	1	1	1	1	16	
6	Hydro plant	3,317	3,322	3,447	3,459	3,461	3,461	3,463	3,474	3,507	3,508	3,646	2,997	3,568	41,313	
7	Hydro plant - Right of Way	12	12	12	12	12	12	12	12	12	12	12	12	12	145	
8	Other production plant	7,165	7,312	7,341	7,403	6,761	7,323	7,330	4,970	5,465	7,370	7,360	7,259	7,587	83,481	
9	Other production plant - Land Rights	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10	Other production plant - Mocksville	131	131	131	131	131	131	131	131	131	131	131	131	131	1,573	
11	Other production plant - Monroe	492	492	492	492	492	492	492	492	492	492	492	492	492	5,898	
12	Other production plant - Woodleaf	49	46	47	48	49	50	49	50	50	51	51	51	52	595	
13	Other production plant - Roof top	132	132	132	132	132	132	132	132	132	132	132	132	132	1,588	
14	Transmission plant - Right of Way	156	156	156	156	156	156	156	156	156	157	157	157	157	1,878	
15	Transmission plant	6,640	6,709	6,734	6,748	6,833	6,900	6,938	6,989	7,049	7,071	7,057	6,699	7,323	83,051	
16	Transmission Expansion Projects (TEP)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(611)	
17	Distribution plant - NC	16,523	16,717	16,660	16,769	16,673	16,830	16,940	17,042	17,155	17,184	17,308	16,931	17,449	203,659	
18	Distribution plant - NC - Right of Way	10	10	10	10	10	10	10	10	10	10	10	10	10	116	
19	Distribution plant - SC	5,691	5,720	5,762	5,776	5,808	5,845	5,871	5,898	5,949	5,966	5,994	5,886	6,070	70,544	
20	Distribution plant - SC - Right of Way	1	1	1	1	1	1	1	1	1	1	1	1	1	14	
21	General Plant - Structures/Lease Improvements	1,816	1,812	1,840	1,843	1,848	1,849	1,851	1,848	1,847	1,884	1,867	1,508	1,902	21,899	
22	General Plant - Furniture and Equipment	274	275	281	283	283	283	285	287	286	359	362	267	370	3,621	
23	General Plant - EDP Computer	1,185	1,181	1,225	1,232	1,241	1,267	1,265	1,278	1,197	1,278	1,120	1,186	1,264	14,735	
24	General Plant - Vehicles [4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
25	General Plant - Construction Equipment [4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
26	General Plant - Stores Equipment	4	4	4	4	4	4	4	4	4	4	4	4	4	52	
27	General Plant - Tools, Shop and Garage Equipment	437	437	438	439	441	444	445	446	444	445	455	456	457	5,346	
28	General Plant - Laboratory Equipment	29	29	29	30	30	30	30	36	36	36	36	36	36	392	
29	General Plant - Power Operated Equipment	53	54	54	54	54	55	55	55	60	61	61	61	61	686	
30	General Plant - Communication Equipment	1,296	1,304	1,305	1,316	1,428	1,435	1,445	1,453	1,443	1,450	1,460	1,432	1,678	17,148	
31	General Plant - Miscellaneous Equipment	45	45	45	45	45	46	46	47	47	48	48	50	52	565	
32	General Plant - Land Rights	1	1	1	1	1	1	1	1	1	1	1	1	1	8	
33	Intangible plant	5,724	5,719	5,573	5,626	5,762	5,547	5,710	5,185	5,714	5,859	5,614	6,265	5,944	68,519	
34	Total Depreciation (Sum L2 through L33)	\$ 98,434	\$ 99,421	\$ 99,614	\$ 100,135	\$ 100,520	\$ 100,748	\$ 100,949	\$ 98,576	\$ 99,752	\$ 102,141	\$ 102,953	\$ 100,093	\$ 104,362	\$ 1,209,265	

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

[2] Forecasted amounts provided by Duke Energy Carolinas - Franchised Electric & Gas Planning and Forecasting

[3] Amounts above do not include Asset Retirement Obligation (ARO) balances

[4] Depreciation expense on vehicles and construction equipment is recorded to 803 accounts, therefore it is excluded above.

Duke Energy Carolinas, LLC
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Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro-forma adjusts amortization expense, income taxes and rate base for the amortization of deferred environmental costs related to the removal of coal ash.

The impact to depreciation expense reflects a 5 year amortization of deferred costs to remove coal ash costs. The balance of the deferral is projected through July 31, 2020 and includes a return during the deferral period.

The impact to rate base includes the additional deferred costs through July 2020 and the additional ADIT on the deferred balance change.

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

September update:

Updated Non ARO Spend and ARO spend with actuals through September 2019.

October update:

Updated Non ARO Spend and ARO spend with actuals through October 2019.

November update:

Updated Non ARO Spend and ARO spend with actuals through November 2019.

December update:

Updated Non ARO Spend and ARO spend with actuals through December 2019.

January update:

Updated Non ARO Spend and ARO spend with actuals through January 2020.

Updated NC-1104 Non ARO Deferral calculation to include the impact of ADIT due to bonus depreciation on eligible projects.

Added tab NC-1109 ADIT showing the calculation of the ADIT amount.

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Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation				
9	Purchased power				
10	Other operation and maintenance expense				
11	Depreciation and amortization	NC-1101	93,944	95,913	(1,970)
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1101	(21,936)	(22,396)	460
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	72,008	73,517	(1,510)
18					
19	Operating income	L4 - L17	\$ (72,008)	\$ (73,517)	\$ 1,510
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment	NC-1101	375,774	383,653	(7,879)
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes	NC-1101	(87,744)	(89,584)	1,840
39	Operating reserves		-	-	-
40			-	-	-
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ 288,030	\$ 294,069	\$ (6,039)
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Line No.	Description	Total Coal Ash ARO NC Retail	Total Coal Ash Non ARO NC Retail	Total NC Retail
1	<u>Impact to Income Statement Line Items</u>			
2	Projected ending balance at July 31, 2020	\$ 378,464 [1]	\$ 91,254 [2]	\$ 469,718
3	Balance for amortization (L2)	\$ 378,464	\$ 91,254	\$ 469,718
4				
5	Years to amortize	5	5	
6				
7	Annual amortization (L3 / L5)	\$ 75,693	\$ 18,251	\$ 93,944
8	Impact to depreciation and amortization (L7)	\$ 75,693	\$ 18,251	\$ 93,944
9				
10	Statutory tax rate	23.3503% [3]	23.3503% [3]	
11	Impact to income taxes (-L8 x L10)	\$ (17,674)	\$ (4,262)	\$ (21,936)
12				
13	Impact to operating income (-L8 - L11)	\$ (58,018)	\$ (13,989)	\$ (72,008)
14				
15	<u>Impact to Rate Base Line Items</u>			
16	Projected July 31, 2020 balance (L3)	\$ 378,464	\$ 91,254	\$ 469,718
17	Less: 1st year coal ash deferral amortization (-L7)	(75,693)	(18,251)	(93,944)
18	Projected coal ash def bal after one year of amortization (L16 + L17)	\$ 302,772	\$ 73,003	\$ 375,774
19				
20	Deferred tax rate	23.3503%	23.3503%	
21	Impact to accumulated deferred income tax (-L18 x L20)	\$ (70,698)	\$ (17,046)	\$ (87,744)
22				
23	Impact to rate base (L18 + L21)	\$ 232,074	\$ 55,956	\$ 288,030

[1] NC-1102 - Calculation of Deferral - Projected Ending Balance, Column (j), Line 32

[2] NC-1104 - Calculation of Coal Ash Non ARO Deferral - Projected Ending Balance, Column (r), Line 64

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

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		After Tax LTD Rate	After Tax Equity Rate
2018 Jan - Jul	[3]	1.8884%	5.4060%
2018 Aug - Dec	[3]	1.6829%	5.1480%
2019	[3]	1.6887%	5.1480%
2020	[3]	1.6887%	5.1480%

Calculation of Deferral - ARO Projected Ending Balance

Duke Energy Carolinas Coal Ash Deferral (North Carolina Retail)												
Line No.	Month	System Spend (a)	% to NCR for Spend (b)	Beginning Balance (c)=(e) PM	NC Retail Spend (d)=(a)x(b)	Ending Balance (e)= (c)+(d)	NCR Balance for Return (f)=(c)+(d)/2	Def. Cost of Debt (g) = (f) x cost of debt	Def. Cost of Equity (h) = (f) x cost of equity	Total Return (i)=(g)+(h)	Total Ending Balance (j)= (e)+YTD(i)	
1												
2	Jan-18	17,378,709	[1] 66.6244%	[2] -	11,578,458	11,578,458	5,789,229	9,110	26,080	35,191	11,613,649	
3	Feb-18	14,580,288	[1] 66.6244%	[2] 11,578,458	9,714,027	21,292,486	16,435,472	25,864	74,042	99,906	21,427,582	
4	Mar-18	22,410,023	[1] 66.6244%	[2] 21,292,486	14,930,540	36,223,026	28,757,756	45,255	129,554	174,809	36,532,931	
5	Apr-18	19,654,264	[1] 66.6244%	[2] 36,223,026	13,094,533	49,317,558	42,770,292	67,306	192,680	259,986	49,887,450	
6	May-18	15,698,823	[1] 66.6244%	[2] 49,317,558	10,459,245	59,776,803	54,547,181	85,839	245,735	331,574	60,678,268	
7	Jun-18	23,765,376	[1] 65.9759%	[2] 59,776,803	15,679,416	75,456,219	67,616,511	106,405	304,612	411,018	76,768,702	
8	Jul-18	15,740,700	[1] 65.9759%	[2] 75,456,219	10,385,066	85,841,285	80,648,752	126,914	363,323	490,236	87,644,004	
9	Aug-18	20,090,707	[1] 65.9759%	[2] 85,841,285	13,255,021	99,096,306	92,468,795	129,681	396,691	526,372	101,425,397	
10	Sep-18	23,461,327	[1] 65.9759%	[2] 99,096,306	15,478,817	114,575,123	106,835,714	149,830	458,325	608,155	117,512,369	
11	Oct-18	22,328,101	[1] 65.9759%	[2] 114,575,123	14,731,161	129,306,284	121,940,703	171,013	523,126	694,139	132,937,669	
12	Nov-18	22,192,653	[1] 65.9759%	[2] 129,306,284	14,641,798	143,948,082	136,627,183	191,610	586,131	777,741	148,357,208	
13	Dec-18	11,607,596	[1] 65.9759%	[2] 143,948,082	7,658,213	151,606,295	147,777,189	207,247	633,964	841,211	156,856,633	[4]
14	Jan-19	16,290,098	[1] 65.9759%	[2] 156,856,633	10,747,536	167,604,168	162,230,400	228,305	695,968	924,274	168,528,442	
15	Feb-19	24,408,532	[1] 65.9759%	[2] 167,604,168	16,103,744	183,707,912	175,656,040	247,199	753,564	1,000,763	185,632,949	
16	Mar-19	24,061,931	[1] 65.9759%	[2] 183,707,912	15,875,070	199,582,982	191,645,447	269,701	822,159	1,091,860	202,599,879	
17	Apr-19	20,018,173	[1] 65.9759%	[2] 199,582,982	13,207,166	212,790,148	206,186,565	290,164	884,540	1,174,705	216,981,749	
18	May-19	27,201,549	[1] 65.9759%	[2] 212,790,148	17,946,461	230,736,609	221,763,379	312,085	951,365	1,263,450	236,191,660	
19	Jun-19	18,738,461	[1] 65.8832%	[2] 230,736,609	12,345,500	243,082,109	236,909,359	333,400	1,016,341	1,349,741	249,886,902	
20	Jul-19	16,266,699	[1] 65.8832%	[2] 243,082,109	10,717,024	253,799,133	248,440,621	349,628	1,065,810	1,415,438	262,019,364	
21	Aug-19	58,647,352	[1] 65.8832%	[2] 253,799,133	38,638,760	292,437,893	273,118,513	384,357	1,171,678	1,556,035	302,214,159	
22	Sep-19	28,293,189	[1] 65.8832%	[2] 292,437,893	18,640,462	311,078,355	301,758,124	424,661	1,294,542	1,719,203	322,573,824	
23	Oct-19	15,788,972	[1] 65.8832%	[2] 311,078,355	10,402,282	321,480,637	316,279,496	445,097	1,356,839	1,801,936	334,778,042	
24	Nov-19	12,378,694	[1] 65.8832%	[2] 321,480,637	8,155,481	329,636,118	325,558,378	458,155	1,396,645	1,854,800	344,788,323	
25	Dec-19	15,830,255	[1] 65.8832%	[2] 329,636,118	10,429,481	340,065,599	334,850,859	471,232	1,436,510	1,907,742	357,125,546	[4]
26	Jan-20	10,386,430	65.8832%	[2] 357,125,546	6,842,914	363,968,460	360,547,003	507,394	1,546,747	2,054,141	366,022,601	
27	Feb-20		65.8832%	[2] 363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	368,096,235	
28	Mar-20		65.8832%	[2] 363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	370,169,868	
29	Apr-20		65.8832%	[2] 363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	372,243,502	
30	May-20		65.8832%	[2] 363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	374,317,136	
31	Jun-20		65.8832%	[2] 363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	376,390,769	
32	Jul-20		65.8832%	[2] 363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	378,464,403	
33		517,218,902			341,658,176			9,110,705	27,695,522	36,806,227		

- [1] NC-1103 - Duke Energy Carolinas - System Spend - Coal Ash
[2] NC-1106 - Allocation Factor - MWHs at Generation Level
[3] NC-1107 - Weighted Cost of Capital Rates for Duke Energy Carolinas
[4] Annual compounding formula

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Duke Energy Carolinas - System Spend - Coal Ash including CAMA - ARO

Line No.	Month	2018 <u>Actuals</u>	2019 <u>Actuals</u>	2020 <u>Actual</u>
1	January	17,378,709	16,290,098	10,386,430
2	February	14,580,288	24,408,532	
3	March	22,410,023	24,061,931	
4	April	19,654,264	20,018,173	
5	May	15,698,823	27,201,549	
6	June	23,765,376	18,738,461	
7	July	15,740,700	16,266,699	
8	August	20,090,707	58,647,352	
9	September	23,461,327	28,293,189	
10	October	22,328,101	15,788,972	
11	November	22,192,653	12,378,694	
12	December	11,607,596	15,830,255	
13	Total	<u>228,908,568</u>	<u>277,923,903</u>	<u>10,386,430</u>

Source: Duke Energy Carolinas Asset Accounting

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		Pre Tax LTD Rate	Pre Tax Equity Rate
2018 Jan - Jul	[5]	2.4722%	7.0773%
2018 Aug - Dec	[5]	2.2032%	6.7395%
2019	[5]	2.2032%	6.7163%
2020	[5]	2.2032%	6.7163%

Duke Energy Carolinas - Coal Ash Non ARO Retail Return on Plant

Line No.	Month	[1] Total Plant Additions (a)	[2] Accumulated Depreciation (b)	[7] Accumulated Deferred Tax (c)	Net Plant (d)=(a)+(b)+(c)	[3] NC Retail Allocation Factor (e)	NC Retail Net Plant (f)=(d)*(e)	[4] Avg Balance for Return (g)	Pre Tax Debt Return (h)=(g)* Debt rate	Pre Tax Equity Return (i)=(g)*Equity Rate	Total Return on Investment (j)=(h)+(i)
1	Jan-18	\$ 32,555	\$ -	\$ (3,801)	\$ 28,754	67.0068%	\$ 19,267	\$ 9,634	\$ 20	\$ 57	\$ 77
2	Feb-18	32,555	(96)	(3,801)	28,658	67.0068%	19,203	19,235	40	113	153
3	Mar-18	8,822,474	(192)	(1,030,037)	7,792,245	67.0068%	5,221,332	2,620,268	5,398	15,454	20,852
4	Apr-18	9,606,973	(22,369)	(1,034,749)	8,549,855	67.0068%	5,728,983	5,475,158	11,280	32,291	43,571
5	May-18	73,698,616	(46,395)	(8,517,532)	65,134,690	67.0068%	43,644,658	24,686,820	50,859	145,597	196,456
6	Jun-18	86,438,831	(229,047)	(10,004,959)	76,204,825	67.0068%	51,062,400	47,353,529	97,556	279,279	376,835
7	Jul-18	88,557,895	(448,750)	(10,252,350)	77,856,795	67.4614%	52,523,313	51,792,856	106,702	305,461	412,163
8	Aug-18	108,269,151	(674,867)	(12,553,656)	95,040,627	67.4614%	64,115,773	58,319,543	107,075	327,539	434,613
9	Sep-18	108,290,145	(953,564)	(12,556,094)	94,780,487	67.4614%	63,940,279	64,028,026	117,555	359,599	477,155
10	Oct-18	266,701,014	(1,232,092)	(31,050,788)	234,418,135	67.4614%	158,141,843	111,041,061	203,871	623,638	827,509
11	Nov-18	269,504,976	(1,983,577)	(31,212,391)	236,309,009	67.4614%	159,417,454	158,779,649	291,519	891,751	1,183,270
12	Dec-18	445,202,670	(2,742,297)	(50,173,861)	392,286,511	67.4614%	264,642,119	212,029,787	389,287	1,190,818	1,580,105
13	Jan-19	564,269,696	(3,990,299)	(60,566,603)	499,712,794	67.4614%	337,113,434	300,877,777	552,412	1,683,979	2,236,391
14	Feb-19	576,541,669	(5,588,714)	(61,800,033)	509,152,922	67.4614%	343,481,880	340,297,657	624,787	1,904,608	2,529,394
15	Mar-19	658,726,764	(7,226,278)	(69,516,722)	581,983,764	67.4614%	392,614,613	368,048,247	675,737	2,059,925	2,735,661
16	Apr-19	665,817,977	(9,079,840)	(70,209,495)	586,528,641	67.4614%	395,680,652	394,147,633	723,655	2,206,000	2,929,655
17	May-19	669,109,462	(10,953,515)	(70,537,627)	587,618,320	67.4614%	396,415,766	396,048,209	727,145	2,216,637	2,943,782
18	Jun-19	679,029,657	(12,836,257)	(71,546,387)	594,647,014	67.4345%	400,997,437	398,706,601	732,025	2,231,516	2,963,541
19	Jul-19	677,032,969	(14,745,611)	(71,329,228)	590,958,130	67.4345%	398,509,856	399,753,646	733,948	2,237,376	2,971,324
20	Aug-19	680,377,789	(16,649,676)	(71,656,799)	592,071,314	67.4345%	399,260,526	398,885,191	732,353	2,232,515	2,964,869
21	Sep-19	681,691,050	(18,562,995)	(71,784,009)	591,344,046	67.4345%	398,770,096	399,015,311	732,592	2,233,244	2,965,836
22	Oct-19	682,448,552	(20,479,779)	(71,849,053)	590,119,719	67.4345%	397,944,477	398,357,286	731,384	2,229,561	2,960,945
23	Nov-19	682,180,765	(22,398,772)	(71,825,704)	587,956,289	67.4345%	396,485,578	397,215,027	729,287	2,223,168	2,952,454
24	Dec-19	693,595,700	(24,317,099)	(71,920,386)	597,358,214	67.4345%	402,825,722	399,655,650	733,768	2,236,828	2,970,595
25	Jan-20	693,743,237	(26,266,516)	(71,928,100)	595,548,620	67.4345%	401,605,431	402,215,577	738,468	2,251,155	2,989,623
26	Feb-20	693,743,237	(28,216,342)	(71,928,100)	593,598,794	67.4345%	400,290,575	400,948,003	736,141	2,244,061	2,980,201
27	Mar-20	693,743,237	(30,166,168)	(71,928,100)	591,648,968	67.4345%	398,975,719	399,633,147	733,726	2,236,702	2,970,428
28	Apr-20	693,743,237	(32,115,994)	(71,928,100)	589,699,143	67.4345%	397,660,863	398,318,291	731,312	2,229,343	2,960,655
29	May-20	693,743,237	(34,065,820)	(71,928,100)	587,749,317	67.4345%	396,346,007	397,003,435	728,898	2,221,983	2,950,882
30	Jun-20	693,743,237	(36,015,646)	(71,928,100)	585,799,491	67.4345%	395,031,151	395,688,579	726,484	2,214,624	2,941,109
31	Jul-20	693,743,237	(37,965,472)	(71,928,100)	583,849,665	67.4345%	393,716,295	394,373,723	724,070	2,207,265	2,931,335
32	Total										\$ 60,401,438

- [1] NC-1105 Total Plant in Service beginning on line 27
[2] -NC-1105 Total Depreciation Expense beginning on line 60 + Prior Month
[3] NC 1106 Allocation Factor - Demand at Generation Level
[4] Beginning balance + additions for the month/2
[5] NC 1107 Cost of Capital
[6] NC-1105 Total Depreciation Expense beginning on line 60
[7] NC-1109 Accumulated Deferred Income Tax

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		After Tax LTD Rate	After Tax Equity Rate
2018 Jan - Jul	[5]	1.8884%	5.4060%
2018 Aug - Dec	[5]	1.6829%	5.1480%
2019	[5]	1.6887%	5.1480%
2020	[5]	1.6887%	5.1480%

Duke Energy Carolinas - Coal Ash Non ARO - NC Retail Deferral

Line No.	Month	Beginning Balance (j)=PM(r)	Return on Investment (k)=(i)	[6] Depreciation Expense (l)	[7]	[3] NC Retail Allocation Factor (m)	[8]	NC Retail Depreciation Expense (n)=(l)*(m)	Balance for Return (o)=(j)+((k)+(n))/2	After Tax Debt Return (p)=(o)* Debt rate	After Tax Equity Return (q)=(o)*Equity Rate	Ending Balance (r)=(j)+(k)+(n)+(p)+(q)
33	Jan-18	-	77	-		67.0068%		-	38	0	0	77
34	Feb-18	77	153	96		67.0068%		64	186	0	1	295
35	Mar-18	295	20,852	96		67.0068%		64	10,754	17	48	21,277
36	Apr-18	21,277	43,571	22,177		67.0068%		14,860	50,492	79	227	80,015
37	May-18	80,015	196,456	24,026		67.0068%		16,099	186,292	293	839	293,702
38	Jun-18	293,702	376,835	182,652		67.0068%		122,389	543,314	855	2,448	796,229
39	Jul-18	796,229	412,163	219,703		67.4614%		148,215	1,076,418	1,694	4,849	1,363,150
40	Aug-18	1,363,150	434,613	226,117		67.4614%		152,542	1,656,728	2,323	7,107	1,959,736
41	Sep-18	1,959,736	477,155	278,697		67.4614%		188,013	2,292,320	3,215	9,834	2,637,953
42	Oct-18	2,637,953	827,509	278,528		67.4614%		187,899	3,145,657	4,412	13,495	3,671,267
43	Nov-18	3,671,267	1,183,270	751,485		67.4614%		506,962	4,516,383	6,334	19,375	5,387,209
44	Dec-18	5,387,209	1,580,105	758,721		67.4614%		511,844	6,433,183	9,022	27,598	7,515,778
45	Jan-19	7,515,778	2,236,391	1,248,001		67.4614%		841,920	9,054,933	12,743	38,846	10,645,677
46	Feb-19	10,645,677	2,529,394	1,598,415		67.4614%		1,078,314	12,449,531	17,520	53,408	14,324,313
47	Mar-19	14,324,313	2,735,661	1,637,564		67.4614%		1,104,724	16,244,506	22,861	69,689	18,257,248
48	Apr-19	18,257,248	2,929,655	1,853,563		67.4614%		1,250,440	20,347,296	28,635	87,290	22,553,268
49	May-19	22,553,268	2,943,782	1,873,675		67.4614%		1,264,008	24,657,162	34,700	105,779	26,901,536
50	Jun-19	26,901,536	2,963,541	1,882,742		67.4345%		1,269,618	29,018,116	40,837	124,488	31,300,020
51	Jul-19	31,300,020	2,971,324	1,909,354		67.4345%		1,287,564	33,429,464	47,045	143,412	35,749,365
52	Aug-19	35,749,365	2,964,869	1,904,066		67.4345%		1,283,998	37,873,798	53,299	162,479	40,214,009
53	Sep-19	40,214,009	2,965,836	1,913,319		67.4345%		1,290,238	42,342,046	59,588	181,647	44,711,318
54	Oct-19	44,711,318	2,960,945	1,916,784		67.4345%		1,292,575	46,838,077	65,915	200,935	49,231,687
55	Nov-19	49,231,687	2,952,454	1,918,993		67.4345%		1,294,064	51,354,946	72,271	220,313	53,770,789
56	Dec-19	53,770,789	2,970,595	1,918,327		67.4345%		1,293,615	55,902,894	78,672	239,823	58,353,494
57	Jan-20	58,353,494	2,989,623	1,949,417		67.4345%		1,314,581	60,505,596	85,149	259,569	63,002,416
58	Feb-20	63,002,416	2,980,201	1,949,826		67.4345%		1,314,856	65,149,944	91,685	279,493	67,668,651
59	Mar-20	67,668,651	2,970,428	1,949,826		67.4345%		1,314,856	69,811,293	98,245	299,490	72,351,670
60	Apr-20	72,351,670	2,960,655	1,949,826		67.4345%		1,314,856	74,489,426	104,828	319,560	77,051,569
61	May-20	77,051,569	2,950,882	1,949,826		67.4345%		1,314,856	79,184,438	111,435	339,701	81,768,443
62	Jun-20	81,768,443	2,941,109	1,949,826		67.4345%		1,314,856	83,896,425	118,067	359,916	86,502,390
63	Jul-20	86,502,390	2,931,335	1,949,826		67.4345%		1,314,856	88,625,486	124,722	380,203	91,253,506
64	Total		60,401,438					25,603,744		1,296,459	3,951,865	91,253,506

- [1] NC-1105 Total Plant in Service beginning on line 27
[2] -NC-1105 Total Depreciation Expense beginning on line 60 + Prior Month
[3] NC 1106 Allocation Factor - Demand at Generation Level
[4] Beginning balance + additions for the month/2
[5] NC 1107 Cost of Capital
[6] NC-1105 Total Depreciation Expense beginning on line 60

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Duke Energy Carolinas - Coal Ash Non ARO - Monthly Plant in Service

Line No.	Month	312 Belews Plant In Service	312 Cliffside Plant In Service	311 Belews Plant In Service	311 Marshall Plant In Service	311 Lee Plant In Service	311 Allen Plant In Service	312 Marshall Plant In Service	312 Cliffside 6 Plant In Service	311 Cliffside 5 & 6 Plant In Service	341 Buck Plant In Service	312 Allen Plant In Service	315 Cliffside 5&6 Plant In Service	Total Monthly Activity
1	Jan-18		32,555											32,555
2	Feb-18													-
3	Mar-18	8,103,839	686,080											8,789,919
4	Apr-18	40,354			744,144									784,499
5	May-18	64,091,537			106									64,091,643
6	Jun-18	1,121,699	11,618,413		103									12,740,215
7	Jul-18	1,492,265	626,693		106									2,119,064
8	Aug-18	537,625	726,099		108	18,447,422								19,711,255
9	Sep-18	314,909	(420,773)		117	126,741								20,994
10	Oct-18	695,395	173,742	8,853,763	33,422,875	195,720	37,705,846	77,363,529						158,410,869
11	Nov-18	151,124	5,445	45,423	598,263	136,838	34,452	412,175	1,420,241					2,803,962
12	Dec-18	605,174	119,199	33,851,732	48,510,871	297,463	25,297,511	438,982	62,611	65,120,650	1,393,502			175,697,694
13	Jan-19	(84,852)	49,737	24,771,344	975,219	11,049	8,963,499	382,505	38,389	21,978,022	35,644	61,946,196	273	119,067,026
14	Feb-19	162,710	37,077	554,418	302,449	(99,269)	3,614,479	312,523	1,188	2,363,762	36,729	4,984,671	1,236	12,271,973
15	Mar-19	(21,785)	33,792	741,434	77,180,934	9,959	634,591	205,018	2,268	2,989,269	10,222	397,877	1,515	82,185,095
16	Apr-19	(800)		470,536	1,391,854		1,080,771	171,911	930	3,491,360	7,955	474,781	1,914	7,091,213
17	May-19	(5,616)		174,687	1,589,545		337,522	(40,763)		1,138,275	(6,053)	103,450	439	3,291,485
18	Jun-19	(12,221)		76,745	4,738,989		187,802	2,657,764		1,954,691	662	314,996	767	9,920,196
19	Jul-19	12,368		98,981	(1,579,849)		39,175	(930,549)		343,136	50	19,942	58	(1,996,688)
20	Aug-19	5		469,887	1,853,994		294,229	45,839		376,002	(132)	304,856	140	3,344,820
21	Sep-19	(7)		10,385	921,239		31,690	5,816		352,559		(8,583)	162	1,313,261
22	Oct-19	(0)	-	(0)	283,239		140,763	15,661		224,449		93,294	96	757,502
23	Nov-19				(417,238)		24,971	(1,233)		115,319		10,327	66	(267,787)
24	Dec-19				811,469		5,909	10,419,193		173,098		5,267		11,414,935
25	Jan-20				(44,188)			191,675	-	51				147,537
26	Total	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237

Source: Duke Energy Carolinas Asset Accounting to all pages

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Duke Energy Carolinas - Coal Ash Non ARO - Total Plant in Service

		312 Belevs Plant In Service	312 Cliffside Plant In Service	311 Belevs Plant In Service	311 Marshall Plant In Service	311 Lee Plant In Service	311 Allen Plant In Service	312 Marshall Plant In Service	312 Cliffside 6 Plant In Service	311 Cliffside 5 & 6 Plant In Service	341 Buck Plant In Service	312 Allen Plant In Service	315 Cliffside 5&6 Plant In Service	Total Plant in Service
27	Jan-18	-	32,555	-	-	-	-	-	-	-	-	-	-	32,555
28	Feb-18	-	32,555	-	-	-	-	-	-	-	-	-	-	32,555
29	Mar-18	8,103,839	718,635	-	-	-	-	-	-	-	-	-	-	8,822,474
30	Apr-18	8,144,193	718,635	-	744,144	-	-	-	-	-	-	-	-	9,606,973
31	May-18	72,235,730	718,635	-	744,251	-	-	-	-	-	-	-	-	73,698,616
32	Jun-18	73,357,429	12,337,048	-	744,354	-	-	-	-	-	-	-	-	86,438,831
33	Jul-18	74,849,694	12,963,742	-	744,460	-	-	-	-	-	-	-	-	88,557,895
34	Aug-18	75,387,319	13,689,841	-	744,568	18,447,422	-	-	-	-	-	-	-	108,269,151
35	Sep-18	75,702,229	13,269,068	-	744,685	18,574,163	-	-	-	-	-	-	-	108,290,145
36	Oct-18	76,397,623	13,442,810	8,853,763	34,167,560	18,769,883	37,705,846	77,363,529	-	-	-	-	-	266,701,014
37	Nov-18	76,548,748	13,448,255	8,899,185	34,765,823	18,906,721	37,740,298	77,775,704	1,420,241	-	-	-	-	269,504,976
38	Dec-18	77,153,921	13,567,454	42,750,917	83,276,694	19,204,184	63,037,809	78,214,686	1,482,852	65,120,650	1,393,502	-	-	445,202,670
39	Jan-19	77,069,069	13,617,191	67,522,261	84,251,914	19,215,233	72,001,308	78,597,191	1,521,241	87,098,672	1,429,146	61,946,196	273	564,269,696
40	Feb-19	77,231,779	13,654,268	68,076,679	84,554,363	19,115,964	75,615,787	78,909,715	1,522,429	89,462,433	1,465,875	66,930,868	1,509	576,541,669
41	Mar-19	77,209,994	13,688,061	68,818,113	161,735,296	19,125,923	76,250,378	79,114,732	1,524,697	92,451,702	1,476,097	67,328,745	3,024	658,726,764
42	Apr-19	77,209,194	13,688,061	69,288,649	163,127,150	19,125,923	77,331,150	79,286,644	1,525,627	95,943,062	1,484,052	67,803,526	4,938	665,817,977
43	May-19	77,203,577	13,688,061	69,463,336	164,716,695	19,125,923	77,668,671	79,245,880	1,525,627	97,081,337	1,477,999	67,906,976	5,378	669,109,462
44	Jun-19	77,191,356	13,688,061	69,540,081	169,455,684	19,125,923	77,856,474	81,903,644	1,525,627	99,036,028	1,478,661	68,221,972	6,145	679,029,657
45	Jul-19	77,203,725	13,688,061	69,639,062	167,875,835	19,125,923	77,895,649	80,973,095	1,525,627	99,379,164	1,478,711	68,241,914	6,203	677,032,989
46	Aug-19	77,203,730	13,688,061	70,108,949	169,729,829	19,125,923	78,189,878	81,018,934	1,525,627	99,755,166	1,478,579	68,546,770	6,343	680,377,789
47	Sep-19	77,203,723	13,688,061	70,119,334	170,651,068	19,125,923	78,221,567	81,024,751	1,525,627	100,107,725	1,478,579	68,538,187	6,505	681,691,050
48	Oct-19	77,203,723	13,688,061	70,119,334	170,934,307	19,125,923	78,362,330	81,040,411	1,525,627	100,332,175	1,478,579	68,631,481	6,601	682,448,552
49	Nov-19	77,203,723	13,688,061	70,119,334	170,517,069	19,125,923	78,387,301	81,039,178	1,525,627	100,447,494	1,478,579	68,641,809	6,667	682,180,765
50	Dec-19	77,203,723	13,688,061	70,119,334	171,328,538	19,125,923	78,393,210	91,458,371	1,525,627	100,620,591	1,478,579	68,647,075	6,667	693,595,700
51	Jan-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
52	Feb-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
53	Mar-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
54	Apr-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
55	May-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
56	Jun-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
57	Jul-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237

Source: Duke Energy Carolinas Asset Accounting to all pages

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Duke Energy Carolinas - Coal Ash Non ARO - System Depreciation Expense

		312 Belews Depreciation Expense	312 Cliffside Depreciation Expense	311 Belews Depreciation Expense	311 Marshall Depreciation Expense	311 Lee Depreciation Expense	311 Allen Depreciation Expense	312 Marshall Depreciation Expense	312 Cliffside 6 Depreciation Expense	311 Cliffside 5 & 6 Depreciation Expense	341 Buck Depreciation Expense	312 Allen Depreciation Expense	315 Cliffside 5&6 Depreciation Expense	Total Depreciation Expense
58	Depreciation Rate Prior To 8/2018	0.0297	0.0354	0.0257	0.0282	0.0675	0.0357	0.0354	0.0324	0.0299	0.0296	0.0534	0.0322	
59	Depreciation Rate Beg. 8/2018	0.0296	0.0366	0.0307	0.0314	0.0319	0.0473	0.0328	0.0299	0.0311	0.028	0.037	0.0311	
60	Jan-18													-
61	Feb-18	-	96	-	-	-	-	-	-	-	-	-	-	96
62	Mar-18	-	96	-	-	-	-	-	-	-	-	-	-	96
63	Apr-18	20,057	2,120	-	-	-	-	-	-	-	-	-	-	22,177
64	May-18	20,157	2,120	-	1,749	-	-	-	-	-	-	-	-	24,026
65	Jun-18	178,783	2,120	-	1,749	-	-	-	-	-	-	-	-	182,652
66	Jul-18	181,560	36,394	-	1,749	-	-	-	-	-	-	-	-	219,703
67	Aug-18	184,629	39,539	-	1,948	-	-	-	-	-	-	-	-	226,117
68	Sep-18	185,955	41,754	-	1,948	49,039	-	-	-	-	-	-	-	278,697
69	Oct-18	186,732	40,471	-	1,949	49,376	-	-	-	-	-	-	-	278,528
70	Nov-18	188,447	41,001	22,651	89,405	49,897	148,624	211,460	-	-	-	-	-	751,485
71	Dec-18	188,820	41,017	22,767	90,971	50,260	148,760	212,587	3,539	-	-	-	-	758,721
72	Jan-19	190,313	41,381	109,371	217,907	51,051	248,474	213,787	3,695	168,771	3,252	-	-	1,248,001
73	Feb-19	190,104	41,532	172,744	220,459	51,080	283,805	214,832	3,790	225,731	3,335	191,001	1	1,598,415
74	Mar-19	190,505	41,646	174,163	221,251	50,817	298,052	215,687	3,793	231,857	3,420	206,370	4	1,637,564
75	Apr-19	190,451	41,749	176,060	423,207	50,843	300,554	216,247	3,799	239,604	3,444	207,597	8	1,853,563
76	May-19	190,449	41,749	177,263	426,849	50,843	304,814	216,717	3,801	248,652	3,463	209,061	13	1,873,675
77	Jun-19	190,435	41,749	177,710	431,009	50,843	306,144	216,605	3,801	251,602	3,449	209,380	14	1,882,742
78	Jul-19	190,405	41,749	177,907	443,409	50,843	306,884	223,870	3,801	256,668	3,450	210,351	16	1,909,354
79	Aug-19	190,436	41,749	178,160	439,275	50,843	307,039	221,326	3,801	257,558	3,450	210,413	16	1,904,066
80	Sep-19	190,436	41,749	179,362	444,126	50,843	308,198	221,452	3,801	258,532	3,450	211,353	16	1,913,319
81	Oct-19	190,436	41,749	179,389	446,537	50,843	308,323	221,468	3,801	259,446	3,450	211,326	17	1,916,784
82	Nov-19	190,436	41,749	179,389	447,278	50,843	308,878	221,510	3,801	260,028	3,450	211,614	17	1,918,993
83	Dec-19	190,436	41,749	179,389	446,186	50,843	308,977	221,507	3,801	260,326	3,450	211,646	17	1,918,327
84	Jan-20	190,436	41,749	179,389	448,310	50,843	309,000	249,986	3,801	260,775	3,450	211,662	17	1,949,417
85	Feb-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
86	Mar-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
87	Apr-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
88	May-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
89	Jun-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
90	Jul-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826

Source: Duke Energy Carolinas Asset Accounting to all pages

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Duke Energy Carolinas - Cost of Service - Allocation Factors

Line No.	Allocation Factor	NC Retail 2016	NC Retail 2017	NC Retail 2018
1	Allocation Factor - Demand at Generation Level	67.0068%	67.4614%	67.4345%
2	Allocation Factor - MWHs at Generation	66.6244%	65.9759%	65.8832%

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Weighted Cost of Capital Rates for Duke Energy Carolinas

		<u>Jan-Jul 2018</u>				
		<u>Weighted Cost of Capital (WACC)</u>				
	<u>Description</u>	<u>Capitalization Ratio [1]</u>	<u>Approved Cost Rate [1]</u>	<u>Return</u>	<u>After tax</u>	<u>Before Tax</u>
5	Long Term Debt	47.00%	5.26%	2.4722%	1.8884%	2.4722%
6	Equity	53.00%	10.20%	5.4060%	5.4060%	7.0773%
7	Total	<u>100.00%</u>		<u>7.8782%</u>	<u>7.2944%</u>	<u>9.5495%</u>
9	Return on Equity Rate		2.0344%			
10	Effective State and Federal Income Tax Rate		23.6149% [3]			
		<u>Aug-Dec 2018</u>				
		<u>Weighted Cost of Capital (WACC)</u>				
	<u>Description</u>	<u>Capitalization Ratio [2]</u>	<u>Approved Cost Rate [2]</u>	<u>Return</u>	<u>After tax</u>	<u>Before Tax</u>
16	Long Term Debt	48.00%	4.59%	2.2032%	1.6829%	2.2032%
17	Equity	52.00%	9.90%	5.1480%	5.1480%	6.7395%
18	Total	<u>100.00%</u>		<u>7.3512%</u>	<u>6.8309%</u>	<u>8.9427%</u>
20	Return on Equity Rate		2.2409%			
21	Effective State and Federal Income Tax Rate		23.6149% [3]			
		<u>Jan-Dec 2019</u>				
		<u>Weighted Cost of Capital (WACC)</u>				
	<u>Description</u>	<u>Capitalization Ratio [2]</u>	<u>Approved Cost Rate [2]</u>	<u>Return</u>	<u>After tax</u>	<u>Before Tax</u>
27	Long Term Debt	48.00%	4.59%	2.2032%	1.6887%	2.2032%
28	Equity	52.00%	9.90%	5.1480%	5.1480%	6.7163%
29	Total	<u>100.00%</u>		<u>7.3512%</u>	<u>6.8367%</u>	<u>8.9195%</u>
31	Return on Equity Rate		2.2467%			
32	Effective State and Federal Income Tax Rate		23.3503% [4]			

[1] Cost of capital rates from Docket No. E-7, Sub 1026

[2] Cost of capital rates from Docket No. E-7, Sub 1146

[3] Duke Energy Carolinas Accounting

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

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Depreciation Rates

	Prior to Aug 2018	Beg. Aug 2018
1 D FOS 312 Belews Crk	2.97%	2.96%
2 D FOS 311 Belews Crk	2.57%	3.07%
3 D FOS 312 Cliffside 5	3.54%	3.66%
4 D FOS 311 Marshall	2.82%	3.14%
5 D FOS 311 Lee-20003	6.57%	3.19%
6 D FOS 311 Allen-20003	3.57%	4.73%
7 D FOS 312 Marshall-20003	3.54%	3.28%
8 D FOS 312 Cliffside 6-20003	3.24%	2.99%
9 D FOS 312 Allen-20003	5.34%	3.70%
10 D FOS 311 Cliffside 5&6-20003	2.99%	3.11%
11 D OTH 341 Buck-20004	2.96%	2.80%
12 D FOS 315 Cliffside 5&6-20003	3.22%	3.11%

Source: Duke Energy Asset Accounting

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Project	CBC000214	CBC000370	CCS051310	CCS051492	CBC000360	CBC000443	CBC000444	CMS000212	CMS000285	CMS000286	CMS000602	CLS000085	CAS000201
Project Description	Alternate Start-up Dry Fly Ash System	BC Dry Bottom Ash Conversion	US Bottom Ash Conveying Sys.	CS Unit 5 Dry Flyash Conversion	Enhanced FGD Wastewater Treatment	CCP Storm Water/Process Water Reroute	CCP Lined Retention Basin	MAR Enhncd. FGD Wastewater Treat.	Storm Water/Process Water Reroute	Lined Retention Basin	CCP - Dry Bottom Ash Haul road construction	Waste Water Treatment	Enhanced FGD Wastewater Treatment
Depreciation Group	D FOS 312 Belews Crk-20003	D FOS 312 Belews Crk-20003	D FOS 312 Cliffside 5-20003	D FOS 312 Cliffside 5-20003	D FOS 311 Belews Crk-20003	D FOS 311 Belews Crk-20003	D FOS 311 Belews Crk-20003	D FOS 311 Marshall-20003	D FOS 311 Marshall-20003	D FOS 311 Marshall-20003	D FOS 311 Marshall-20003	D FOS 311 Lee-20003	D FOS 311 Allen-20003
201801					32,555								
201802													
201803	8,103,839				686,080								
201804	40,354										744,144		
201805	99,658	63,991,879									106		
201806	326,232	795,467									103		
201807	51,664	1,440,601	11,617,735		677						106		
201808	5,493	532,133	644,230		694						108	18,447,422	
201809	24,883	290,027	(421,543)		770						117	126,741	
201810	108,015	587,380	173,057		686	8,853,763				33,422,770	105	195,720	
201811	13,238	137,887	8,285		(2,840)	45,423				598,701	(438)	136,838	
201812	16,129	589,044	115,089		4,110	127,180				449,292	631	297,463	
201901	(604)	(84,248)	49,737			2,540					(59)	11,049	8,255,156
201902		162,710	37,077			30,017	24,602,504			255,811		(99,269)	459,768
201903		(21,785)	33,792			277,541	246,860			244,962		9,959	327,216
201904		(800)				86,635	632,242		76,558,418	485,123			551,834
201905	(5,616)					2,389	255,936		1,390,263	15,050			34,674
201906		(12,221)				21,058	126,162		1,381,060	195,844			47,399
201907						(34,621)	89,223		4,630,598	19,526			13,282
201908						5,886	95,965		(1,660,617)	79,200			57,814
201909						(1,518)	152,089		1,186,633	663,711			8,266
201910		(7)				8,388	1,997		919,438	1,807			103,179
201911	-	0				(0)	(0)		144,876	137,444			9,270
201912									(416,856)	78			5,909
202001									719,370	92,099			
									137,772	(44,188)			
Grand Total	8,788,900	68,414,823	12,883,460	804,601	9,147,141	26,233,658	34,738,535	84,990,953	50,207,413	35,478,830	744,925	19,125,923	9,873,867

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Tax Basis for Bonus Depreciation ADIT

Project	CBC000214	CBC000370	CCS051310	CCS051492	CBC000360	CBC000443	CBC000444	CMS000212	CMS000285	CMS000286	CMS000602	CLS000085	CAS000201
Project Description	Alternate Start-up Dry Fly Ash System	BC Dry Bottom Ash Conversion	US Bottom Ash Conveying Sys.	CS Unit 5 Dry Flyash Conversion	Enhanced FGD Wastewater Treatment	CCP Storm Water/Process Water Reroute	CCP Lined Retention Basin	MAR Enhncd. FGD Wastewater Treat.	Storm Water/Process Water Reroute	Lined Retention Basin	CCP - Dry Bottom Ash Haul road construction	Waste Water Treatment	Enhanced FGD Wastewater Treatment
Bonus Depr Eligible	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	NO
Initial In Service Year	2018	2018	2018	2018	2018	2019	2018	2019	2018	2018		2018	
Bonus Depr %	50%	50%	50%	50%	50%	40%	50%	40%	50%	50%		50%	
201801	-	-	-	-	16,278	-	-	-	-	-	-	-	-
201802	-	-	-	-	-	-	-	-	-	-	-	-	-
201803	4,051,919	-	-	-	343,040	-	-	-	-	-	-	-	-
201804	20,177	-	-	-	-	-	-	-	-	-	-	-	-
201805	49,829	31,995,939	-	-	-	-	-	-	-	-	-	-	-
201806	163,116	397,734	5,808,868	339	-	-	-	-	-	-	-	-	-
201807	25,832	720,300	313,000	347	-	-	-	-	-	-	-	-	-
201808	2,746	266,066	322,115	40,935	-	-	-	-	-	-	-	-	-
201809	12,441	145,013	(210,771)	385	-	-	-	-	-	-	-	-	-
201810	54,008	293,690	86,528	343	4,426,881	-	-	-	-	-	16,711,385	-	-
201811	6,619	68,943	4,143	(1,420)	22,711	-	-	-	-	-	299,351	-	-
201812	8,065	294,522	57,544	2,055	63,590	-	-	-	24,030,473	-	224,646	-	-
201901	(302)	(42,124)	24,869	-	1,270	9,841,002	16,862,296	83,150	127,905	-	359,734	-	-
201902	-	81,355	18,539	-	15,009	111,016	123,430	-	122,481	-	28,743	-	-
201903	-	(10,892)	16,896	-	43,318	252,897	11,278	30,623,367	242,561	-	68,697	-	-
201904	-	(400)	-	-	1,195	102,374	106,106	556,105	7,525	-	(6,730)	-	-
201905	-	(2,808)	-	-	10,529	50,465	13,733	97,922	6,320	-	-	-	-
201906	-	(6,110)	-	-	(17,311)	35,689	11,071	1,852,239	9,763	-	44,433	-	-
201907	-	6,184	-	-	2,943	38,386	(1,435)	(664,247)	39,600	-	784	-	-
201908	-	2	-	-	(759)	60,836	159,658	474,653	331,855	-	1,825	-	-
201909	-	(3)	-	-	4,194	799	-	367,775	903	-	(3)	-	-
201910	-	-	-	-	-	-	-	57,950	68,722	-	460	-	-
201911	-	-	-	-	-	-	-	(166,743)	39	-	(230)	-	-
201912	-	-	-	-	-	-	-	287,748	46,050	-	-	-	-
202001	-	-	-	-	-	-	-	55,109	(22,094)	-	-	-	-
Total Bonus Depr Tax basis	4,394,450	34,207,411	6,441,730	402,301	4,573,570	10,493,463	17,369,267	33,996,381	25,103,707	17,739,415	-	9,562,962	-

Calculated Deferred Income Tax due to Bonus Depreciation

Project	CBC000214	CBC000370	CCS051310	CCS051492	CBC000360	CBC000443	CBC000444	CMS000212	CMS000285	CMS000286	CMS000602	CLS000085	CAS000201
Project Description	Alternate Start-up Dry Fly Ash System	BC Dry Bottom Ash Conversion	US Bottom Ash Conveying Sys.	CS Unit 5 Dry Flyash Conversion	Enhanced FGD Wastewater Treatment	CCP Storm Water/Process Water Reroute	CCP Lined Retention Basin	MAR Enhncd. FGD Wastewater Treat.	Storm Water/Process Water Reroute	Lined Retention Basin	CCP - Dry Bottom Ash Haul road construction	Waste Water Treatment	Enhanced FGD Wastewater Treatment
Tax Rate	23.3503%	-	-	-	(3,801)	-	-	-	-	-	-	-	-
201801	-	-	-	-	-	-	-	-	-	-	-	-	-
201802	-	-	-	-	-	-	-	-	-	-	-	-	-
201803	(946,135)	-	-	-	(80,101)	-	-	-	-	-	-	-	-
201804	(4,711)	-	-	-	-	-	-	-	-	-	-	-	-
201805	(11,635)	(7,471,148)	-	-	-	-	-	-	-	-	-	-	-
201806	(38,088)	(92,872)	(1,356,388)	(79)	-	-	-	-	-	-	-	-	-
201807	(6,032)	(73,065)	(1,356,388)	(79)	-	-	-	-	-	-	-	-	-
201808	(641)	(62,127)	(75,215)	(9,558)	-	-	-	-	-	-	-	-	-
201809	(2,905)	(33,861)	49,216	(90)	-	-	-	-	-	-	-	(2,153,764)	-
201810	(12,611)	(68,577)	(20,205)	(80)	(1,033,690)	-	-	-	-	-	-	(14,797)	-
201811	(1,546)	(16,098)	(967)	332	(5,303)	-	-	-	-	-	-	(22,851)	-
201812	(1,883)	(68,772)	(13,437)	(480)	(14,848)	-	-	-	-	-	-	(15,976)	-
201901	71	9,836	(5,807)	(297)	(14,848)	(2,297,903)	(3,937,392)	(29,866)	(5,611,188)	(52,456)	-	(34,729)	-
201902	-	(18,997)	(4,329)	-	(5,305)	(25,923)	(28,821)	-	(83,999)	(6,712)	-	(1,290)	-
201903	-	2,543	(3,945)	-	(10,115)	(59,052)	(2,634)	(7,150,648)	(56,639)	(16,041)	-	(1,163)	-
201904	-	93	-	-	(23,905)	(24,776)	(279)	(129,852)	(1,757)	-	-	-	-
201905	-	656	-	-	(2,459)	(11,784)	(3,207)	(128,993)	(22,865)	(1,476)	-	-	-
201906	-	1,427	-	-	4,042	(8,334)	(2,585)	(2,280)	(10,375)	-	-	-	-
201907	-	(1,444)	(687)	-	(8,963)	335	(9,247)	155,104	(9,247)	(183)	-	-	-
201908	-	(1)	-	-	177	(14,205)	(37,281)	(110,833)	(77,489)	(426)	-	-	-
201909	-	1	-	-	(979)	(186)	-	(85,877)	(211)	-	-	-	-
201910	-	-	-	-	-	-	-	(13,532)	(16,047)	(107)	-	-	-
201911	-	-	-	-	-	-	-	38,935	(9)	54	-	-	-
201912	-	-	-	-	-	-	-	(67,190)	(10,753)	-	-	-	-
202001	-	-	-	-	-	-	-	(12,868)	5,159	-	-	-	-
	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,938,257)	(5,861,791)	(4,142,207)	-	(2,232,980)	-

Accumulated Deferred Income Taxes

Project	CBC000214	CBC000370	CCS051310	CCS051492	CBC000360	CBC000443	CBC000444	CMS000212	CMS000285	CMS000286	CMS000602	CLS000085	CAS000201
Project Description	Alternate Start-up Dry Fly Ash System	BC Dry Bottom Ash Conversion	US Bottom Ash Conveying Sys.	CS Unit 5 Dry Flyash Conversion	Enhanced FGD Wastewater Treatment	CCP Storm Water/Process Water Reroute	CCP Lined Retention Basin	MAR Enhncd. FGD Wastewater Treat.	Storm Water/Process Water Reroute	Lined Retention Basin	CCP - Dry Bottom Ash Haul road construction	Waste Water Treatment	Enhanced FGD Wastewater Treatment
201801	-	-	-	-	(3,801)	-	-	-	-	-	-	-	-
201802	-	-	-	-	(3,801)	-	-	-	-	-	-	-	-
201803	(946,135)	-	-	-	(83,902)	-	-	-	-	-	-	-	-
201804	(950,847)	-	-	-	(83,902)	-	-	-	-	-	-	-	-
201805	(962,482)	(7,471,148)	-	-	(83,902)	-	-	-	-	-	-	-	-
201806	(1,000,570)	(7,564,020)	(1,356,388)	(83,981)	-	-	-	-	-	-	-	-	-
201807	(1,006,602)	(7,732,212)	(1,429,474)	(84,062)	-	-	-	-	-	-	-	-	-
201808	(1,007,243)	(7,794,339)	(1,504,689)	(93,620)	-	-	-	-	-	-	-	-	-
201809	(1,010,148)	(7,828,201)	(1,495,474)	(93,710)	-	-	-	-	-	-	-	(2,153,764)	-
201810	(1,022,759)	(7,896,778)	(1,475,678)	(93,790)	(1,033,690)	-	-	-	-	-	-	(2,191,412)	-
201811	(1,024,305)	(7,912,876)	(1,476,645)	(93,459)	(1,038,993)	-	-	-	-	-	-	(2,207,388)	-
201812	(1,026,188)	(7,981,648)	(1,490,082)	(93,938)	(1,053,842)	-	(3,937,392)	-	(5,611,188)	(4,024,513)	-	(2,242,117)	-
201901	(1,026,117)	(7,971,812)	(1,495,889)	(93,938)	(1,054,138)	(2,297,903)	(3,956,808)	-	(5,641,054)	(4,108,512)	-	(2,243,407)	-
201902	(1,026,117)	(7,990,809)	(1,500,218)	(93,938)	(1,057,643)	(2,323,826)	(3,985,629)	-	(5,669,654)	(4,115,224)	-	(2,231,818)	-
201903	(1,026,117)	(7,988,265)	(1,504,163)	(93,938)	(1,067,758)	(2,382,878)	(3,988,263)	(7,150,648)	(5,726,292)	(4,131,265)	-	(2,232,980)	-
201904	(1,026,117)	(7,988,172)	(1,504,163)	(93,938)	(1,068,037)	(2,406,783)	(4,013,039)	(7,280,500)	(5,728,050)	(4,129,693)	-	(2,232,980)	-
201905	(1,026,117)	(7,987,516)	(1,504,163)	(93,938)	(1,070,495)	(2,418,567)	(4,016,245)	(7,409,493)	(5,750,915)	(4,131,169)	-	(2,232,980)	-
201906	(1,026,117)	(7,986,089)	(1,504,163)	(93,938)	(1,066,453)	(2,426,900)	(4,018,831)	(7,841,996)	(5,753,194)	(4,141,545)	-	(2,232,980)	-
201907	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,140)	(2,435,863)	(4,018,495)	(7,686,893)	(5,762,441)	(4,141,728)	-	(2,232,980)	-
201908	(1,026,117)	(7,987,534)	(1,504,163)	(93,938)	(1,066,963)	(2,450,069)	(4,055,776)	(7,797,726)	(5,839,930)	(4,142,154)	-	(2,232,980)	-
201909	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,883,802)	(5,840,141)	(4,142,154)	-	(2,232,980)	-
201910	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,897,134)	(5,856,188)	(4,142,260)	-	(2,232,980)	-
201911	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,858,199)	(5,856,197)	(4,142,207)	-	(2,232,980)	-
201912	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,925,389)	(5,866,950)	(4,142,207)	-	(2,232,980)	-
202001	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,938,257)	(5,861,791)	(4,142,207)	-	(2,232,980)	-

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize deferred environmental costs
For the test period ended December 31, 2018

Project	CAS000281	CAS000282	CMSCM1227	CM5000156	CCS060038	CCS560046	CCS560047	CCS560077	CBKCC0027	CAS000026	CCS560047	Total
Project Description	Storm Water/Process Water Reroute	Lined Retention Basin	MS Dry Bottom Ash System Conversion	CCP - Marshall Dry Fly Ash Reliability	CCP CS #6 Air Heater Flyash System	Storm Water/Process Water Reroute	Active Waste Water Treatment System	Lined Retention Basins	CCP Process Water Reroute	DRY BOTTOM ASH CONVERSION	Active Waste Water Treatment System	
Depreciation Group	D FOS 311 Allen-20003	D FOS 311 Allen-20003	D FOS 312 Marshall-20003	D FOS 312 Marshall-20003	D FOS 312 Cliffside 6-20003	D FOS 311 Cliffside 5&6-20003	D FOS 311 Cliffside 5&6-20003	D FOS 311 Cliffside 5&6-20003	D OTH 341 Buck-20004	D FOS 312 Allen-20003	D FOS 315 Cliffside 5&6-20003	
201801												32,555
201802												5
201803												8,789,919
201804												784,499
201805												64,091,643
201806												12,740,215
201807												2,119,064
201808												19,711,255
201809												20,994
201810		37,705,846	77,363,529									158,410,869
201811		34,452	412,175		1,420,241							2,803,962
201812	24,960,779	336,732	438,982		62,611							175,697,694
201901	344,126	364,217	382,505		38,389	20,883,598	823,315	271,110	35,644	61,946,196	273	119,067,026
201902	2,858,549	296,162	312,523		1,188	164,388	2,038,497	160,877	36,729	4,984,671	1,236	12,271,973
201903	131,033	176,343	205,018		2,268	567,495	2,292,659	129,115	10,222	397,877	1,515	82,185,095
201904	245,620	283,317	171,911		930	519,328	2,895,774	76,258	7,955	474,781	1,914	7,091,213
201905	169,032	133,816	(40,763)			436,648	664,878	36,749	(6,053)	103,450	439	3,291,485
201906	121,856	18,547	2,657,764			711,612	1,159,955	83,124	662	314,996	767	9,920,196
201907	18,699	7,194	(930,549)			120,224	87,990	134,922	50	19,942	58	(1,996,688)
201908	234,201	2,214	45,839			13,739	212,453	149,810	(132)	304,856	140	3,344,820
201909	14,605	8,819	5,816			94,086	244,482	13,992		(8,583)	162	1,313,261
201910	37,584		15,861			37,429	144,953	42,068		93,294	96	757,502
201911	15,601		(1,233)			13,976	100,010	1,333		10,327	66	(267,787)
201912			689		10,418,504	173,098				5,267		11,414,935
202001					53,902	51						147,537
Grand Total	29,151,686	39,367,658	81,039,867	10,472,406	1,525,627	23,735,669	62,559,961	14,325,012	1,478,579	68,647,075	6,667	693,743,237

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize deferred environmental costs
For the test period ended December 31, 2018

Tax Basis for Bonus Depreciation ADIT

Project Description	Project	CAS000281	CAS000282	CMSCM1227	CM5000156	CCS060038	CCS560046	CCS560047	CCS560077	CBKCC0027	CAS000026	CCS560047	Total
	Storm Water/Process	Water Reroute	Lined Retention Basin	MS Dry Bottom Ash System Conversion	CCP - Marshall Dry Fly Ash Reliability	CCP CS #6 Air Heater Flyash System	Storm Water/Process Water Reroute	Active Waste Water Treatment System	Lined Retention Basins	CCP Process Water Reroute	DRY BOTTOM ASH CONVERSION	Active Waste Water Treatment System	
	YES	YES	YES	YES	NO	NO	YES	YES	NO	YES	YES	YES	
	2018	2018	2018	2018			2019	2018		2018	2019	2019	
Bonus Depr Eligible	50%	50%	50%	50%			40%	50%		50%	40%	40%	
Initial In Service Year													
Bonus Depr %													
201801	-	-	-	-	-	-	-	-	-	-	-	-	16,278
201802	-	-	-	-	-	-	-	-	-	-	-	-	
201803	-	-	-	-	-	-	-	-	-	-	-	-	4,394,959
201804	-	-	-	-	-	-	-	-	-	-	-	-	20,177
201805	-	-	-	-	-	-	-	-	-	-	-	-	32,045,768
201806	-	-	-	-	-	-	-	-	-	-	-	-	6,370,056
201807	-	-	-	-	-	-	-	-	-	-	-	-	1,059,479
201808	-	-	-	-	-	-	-	-	-	-	-	-	9,855,574
201809	-	-	-	-	-	-	-	-	-	-	-	-	10,438
201810	-	18,852,923		38,681,765	-	-	-	-	-	-	-	-	79,205,383
201811	-	17,226		206,088	-	-	-	-	-	-	-	-	692,079
201812	12,480,390	168,366		219,491	-	-	-	25,947,497	-	696,751	-	-	81,204,398
201901	172,063	182,108		191,253	-	-	8,353,439	411,657	-	17,822	24,778,479	109	44,507,958
201902	1,429,274	148,081		156,262	-	-	65,755	1,019,249	-	18,364	1,993,868	494	5,282,286
201903	65,516	88,171		102,509	-	-	226,998	1,146,329	-	5,111	159,151	606	33,047,494
201904	122,810	141,658		85,956	-	-	207,731	1,447,887	-	3,977	189,912	766	2,966,873
201905	84,516	66,908		(20,382)	-	-	174,659	332,439	-	(3,026)	41,380	176	1,405,255
201906	60,928	9,274		1,328,882	-	-	284,645	579,978	-	331	125,998	307	4,320,117
201907	9,349	3,597		(465,275)	-	-	48,090	43,995	-	25	7,977	23	(930,003)
201908	117,101	1,107		22,919	-	-	5,496	106,227	-	(66)	121,943	56	1,402,852
201909	7,302	4,409		2,908	-	-	37,634	122,241	-	-	(3,433)	65	544,792
201910	18,792	-		7,830	-	-	14,971	72,477	-	-	37,318	38	278,558
201911	7,801	-		(616)	-	-	5,590	50,005	-	-	4,131	26	(99,996)
201912	-	-		345	-	-	69,229	-	-	-	2,107	-	405,488
202001	-	-		20	-	-	20	-	-	-	-	-	33,035
Total Bonus Depr Tax basis	14,575,843	19,683,829		40,519,934	-	-	9,494,268	31,279,981	-	739,289	27,458,830	2,667	308,039,298

Calculated Deferred Income Tax due to Bonus Depreciat

Project Description	Project	CAS000281	CAS000282	CMSCM1227	CM5000156	CCS060038	CCS560046	CCS560047	CCS560077	CBKCC0027	CAS000026	CCS560047	Total
	Storm Water/Process	Water Reroute	Lined Retention Basin	MS Dry Bottom Ash System Conversion	CCP - Marshall Dry Fly Ash Reliability	CCP CS #6 Air Heater Flyash System	Storm Water/Process Water Reroute	Active Waste Water Treatment System	Lined Retention Basins	CCP Process Water Reroute	DRY BOTTOM ASH CONVERSION	Active Waste Water Treatment System	
	Tax Rate												
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	
201801	-	-	-	-	-	-	-	-	-	-	-	-	(3,801)
201802	-	-	-	-	-	-	-	-	-	-	-	-	
201803	-	-	-	-	-	-	-	-	-	-	-	-	(1,026,236)
201804	-	-	-	-	-	-	-	-	-	-	-	-	(4,711)
201805	-	-	-	-	-	-	-	-	-	-	-	-	(7,482,783)
201806	-	-	-	-	-	-	-	-	-	-	-	-	(1,487,427)
201807	-	-	-	-	-	-	-	-	-	-	-	-	(247,392)
201808	-	-	-	-	-	-	-	-	-	-	-	-	(2,301,306)
201809	-	-	-	-	-	-	-	-	-	-	-	-	(2,437)
201810	-	(4,402,214)		(9,032,308)	-	-	-	-	-	-	-	-	(18,494,694)
201811	-	(4,022)		(48,122)	-	-	-	-	-	-	-	-	(161,603)
201812	(2,914,208)	(39,314)		(51,252)	-	-	-	(6,058,818)	-	(162,693)	-	-	(18,961,471)
201901	(40,177)	(42,523)		(44,658)	-	-	(1,950,553)	(96,123)	-	(4,342)	(5,785,849)	(26)	(10,392,742)
201902	(333,740)	(34,577)		(36,488)	-	-	(15,354)	(237,998)	-	(4,288)	(465,574)	(115)	(1,233,430)
201903	(15,298)	(20,588)		(23,936)	-	-	(53,005)	(267,671)	-	(1,193)	(37,162)	(142)	(7,716,689)
201904	(28,677)	(33,078)		(20,071)	-	-	(48,506)	(338,086)	-	(929)	(44,345)	(179)	(692,774)
201905	(19,735)	(15,623)		4,759	-	-	(40,783)	(77,626)	-	707	(9,662)	(41)	(328,131)
201906	(14,227)	(2,165)		(310,298)	-	-	(66,465)	(135,427)	-	(7)	(29,421)	(72)	(1,008,760)
201907	(2,183)	(840)		108,643	-	-	(11,229)	(10,273)	-	(6)	(1,863)	(5)	217,159
201908	(27,343)	(258)		(5,352)	-	-	(1,283)	(24,804)	-	15	(28,474)	(13)	(327,570)
201909	(1,705)	(1,030)		(679)	-	-	(8,788)	(28,544)	-	-	802	(15)	(127,210)
201910	(4,388)	-		(1,828)	-	-	(3,496)	(16,924)	-	-	(8,714)	(9)	(65,044)
201911	(1,821)	-		144	-	-	(1,305)	(11,676)	-	-	(965)	(6)	23,349
201912	-	-		(80)	-	-	(16,168)	-	-	-	(492)	-	(94,683)
202001	-	-		-	-	-	(5)	-	-	-	-	-	(7,714)
	(3,403,503)	(4,596,233)		(9,461,526)	-	-	(2,216,940)	(7,303,969)	-	(172,626)	(6,411,719)	(623)	(71,928,100)

Accumulated Deferred Income Taxes

Project Description	Project	CAS000281	CAS000282	CMSCM1227	CM5000156	CCS060038	CCS560046	CCS560047	CCS560077	CBKCC0027	CAS000026	CCS560047	Total
	Storm Water/Process	Water Reroute	Lined Retention Basin	MS Dry Bottom Ash System Conversion	CCP - Marshall Dry Fly Ash Reliability	CCP CS #6 Air Heater Flyash System	Storm Water/Process Water Reroute	Active Waste Water Treatment System	Lined Retention Basins	CCP Process Water Reroute	DRY BOTTOM ASH CONVERSION	Active Waste Water Treatment System	
	Tax Rate												
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	
201801	-	-	-	-	-	-	-	-	-	-	-	-	(3,801)
201802	-	-	-	-	-	-	-	-	-	-	-	-	(3,801)
201803	-	-	-	-	-	-	-	-	-	-	-	-	(1,030,037)
201804	-	-	-	-	-	-	-	-	-	-	-	-	(1,034,749)
201805	-	-	-	-	-	-	-	-	-	-	-	-	(8,517,532)
201806	-	-	-	-	-	-	-	-	-	-	-	-	(10,004,959)
201807	-	-	-	-	-	-	-	-	-	-	-	-	(10,252,350)
201808	-	-	-	-	-	-	-	-	-	-	-	-	(12,553,656)
201809	-	-	-	-	-	-	-	-	-	-	-	-	(12,556,094)
201810	-	(4,402,214)		(9,032,308)	-	-	-	-	-	-	-	-	(31,050,788)
201811	-	(4,406,236)		(9,080,430)	-	-	-	-	-	-	-	-	(31,212,391)
201812	(2,914,208)	(4,445,550)		(9,131,682)	-	-	-	(6,058,818)	-	(162,693)	-	-	(50,173,861)
201901	(2,954,386)	(4,488,073)		(9,176,340)	-	-	(1,950,553)	(6,154,942)	-	(166,855)	(5,785,849)	(26)	(60,566,603)
201902	(3,288,126)	(4,522,651)		(9,212,828)	-	-	(1,965,907)	(6,392,939)	-	(171,143)	(6,251,423)	(141)	(61,800,033)
201903	(3,303,424)	(4,543,249)		(9,236,764)	-	-	(2,014,932)	(6,660,611)	-	(172,337)	(6,288,586)	(182)	(69,516,722)
201904	(3,332,100)	(4,576,317)		(9,256,835)	-	-	(2,067,418)	(6,998,697)	-	(173,265)	(6,332,931)	(461)	(70,209,495)
201905	(3,351,835)	(4,591,940)		(9,252,075)	-	-	(2,108,201)	(7,076,322)	-	(172,559)	(6,342,593)	(502)	(70,537,627)
201906	(3,366,062)	(4,594,105)		(9,562,373)	-	-	(2,174,666)	(7,211,749)	-	(172,636)	(6,372,014)	(574)	(71,546,387)
201907	(3,368,245)	(4,594,945)		(9,453,730)	-	-	(2,185,896)	(7,222,022)	-	(172,642)	(6,373,877)	(579)	(71,329,228)
201908	(3,395,588)	(4,595,204)		(9,459,082)	-	-	(2,187,179)	(7,246,826)	-	(172,626)	(6,402,351)	(592)	(71,656,799)
201909	(3,397,294)	(4,596,233)		(9,459,761)	-	-	(2,195,967)	(7,275,369)	-	(172,626)	(6,401,549)	(608)	(71,784,009)
201910	(3,401,682)	(4,596,233)		(9,461,590)	-	-	(2,199,462)	(7,292,293)	-	(172,626)	(6,410,263)	(617)	(71,849,053)
201911	(3,403,503)	(4,596,233)		(9,461,446)	-	-	(2,200,768)	(7,303,969)	-	(172,626)	(6,411,227)	(623)	(71,825,704)
201912	(3,403,503)	(4,596,233)		(9,461,526)	-	-	(2,216,935)	(7,303,969)	-	(172,626)	(6,411,719)	(623)	(71,920,386)
202001	(3,403,503)	(4,596,233)		(9,461,526)	-	-	(2,216,940)	(7,303,969)	-	(172,626)	(6,411,719)	(623)	(71,928,100)

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize O&M non-labor expenses
For the test period ended December 31, 2018

NC-1200
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

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

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

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

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

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

September Update

Updated NC-1203, NC-1204 and NC-1205 for index values through September 2019.

October Update

Updated NC-1203, NC-1204 and NC-1205 for index values through October 2019.

November Update

Updated NC-1203, NC-1204 and NC-1205 for index values through November 2019.

Updated NC-1201 for revised atypical severance costs in 2018 per NC2000(C).

December Update

Updated NC-1203, NC-1204 and NC-1205 for index values through December 2019.

Updated NC-1201 to remove CPRE related O&M in 2018 per NC0600(D).

January

Index values through January 2020 for NC-1203, NC-1204 and NC-1205 are currently not available.

I/A

Duke Energy Carolinas, LLC
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Annualize O&M non-labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1200
Page 1 of 1
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	Pro Formas Impacting Income Statement Line Items				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-1201	2,632	2,631	1
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1201	(615)	(614)	(0)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	2,018	2,017	1
18					
19	Operating income	L4 - L17	\$ (2,018)	\$ (2,017)	\$ (1)
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	Pro Formas Impacting Rate Base Line Items				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Annualize O&M non-labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1201
Page 1 of 1
January

Line No.	Description	Total Carolinas (a)	NC Retail Allocation (b)	Total NC Retail (c)
1				
2				
3	O&M (excluding fuel and purchased power)	\$ 2,029,601 [1]		\$ 1,375,939 [1]
4				
5	Less: reagents expense and proceeds from sale of by-products	(33,229) [2]		(21,892) [2]
6	Less: energy efficiency, demand side program & other solar costs	(160,264) [3]		(117,246) [3]
7	Less: nuclear refueling outage costs	(54,681) [4]	100.0000% [4]	(54,681) [4]
8	Less: aviation expenses	(2,932) [5]		(1,986) [5]
9	Less: severance and retention costs	(102,108) [6]		(69,147) [6]
10	Less: vegetation management expenses - distribution	(56,457) [7]	73.6369% [8]	(41,573) [8]
11	Less: vegetation management expenses - transmission	(11,379) [7]	52.6634% [9]	(5,992) [9]
12	Less: NCUC regulatory fee	(6,452) [10]		(6,452) [10]
13	Less: rate case amortizations	(676) [10]		(676) [10]
14	Less: outside tax services contract	(897) [15]	67.7195% [12]	(607) [12]
15	Less: expiring amortizations	(16) [16]		(11) [16]
16	Less: merger related costs	(8,094) [17]		(5,530) [17]
17	Less: hydro station transfer costs and direct O&M	(2,317) [18]		(1,560) [18]
18	Total O&M to be adjusted including labor (Sum L3 through L17)	\$ 1,590,098		\$ 1,048,584
19				
20	Net electric O&M salaries and wages	\$ 843,249 [11]		
21	Fringe benefits contribution rate	10.46% [11]		
22	Fringe benefits (L20 x L21)	\$ 88,204		
23				
24	Less: net electric O&M salaries & wages and fringe benefits (L20 + L22)	\$ 931,453	67.7195% [12]	\$ 630,775
25				
26	Total non-labor O&M to be adjusted (L18 - L24)	\$ 658,645		\$ 417,809
27	Average inflation rate	0.63% [13]		0.63% [13]
28	Impact to O&M (L26 x L27)	\$ 4,149		\$ 2,632
29				
30	Statutory tax rate	23.3503% [14]		23.3503% [14]
31	Impact to income taxes (-L28 x L30)	\$ (969)		\$ (615)
32	Impact to operating income (-L28 - L31)	\$ (3,181)		\$ (2,018)

- [1] McManeus Exhibit 1, Other O&M, Page 1, Line 4, Columns 1 and 2
[2] NC-0201 - Update fuel costs to approved rate
[3] NC-0601 - Adjust for costs recovered through non-fuel riders
[4] NC-1501 - Levelize nuclear refueling outage costs
[5] NC-1701 - Adjust aviation expenses
[6] NC-2001 - Amortize severance costs - Actuals
[7] NC-2702 - Vegetation management adjustment - distribution and transmission
[8] Allocation Factor - All - Dist Plt OH - DEC
[9] Allocation Factor - All Transmission Demand
[10] E-1 Item 45A, Cost of Service, Summer CP, Included in '920-935 A&G EXP-928 REG FEE-NCUC' and '920-935 A&G EXP-928 RATE CASE AMORT-NCR'
[11] NC-1301, Normalize O&M labor expenses, Line 16 and Line 37
[12] Allocation Factor - All - Labor
[13] NC-1202 - Average of Consumer Price Index and Producer Price Index, Line 19
[14] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10
[15] NC-1311 - Adjustment to Annualize Ernst & Young outside tax services contract, Line 2
[16] NC-1801 - Adjust for approved regulatory assets and liabilities, Line 3
[17] NC-1901 - Adjust for Merger Related Costs, Line 4
[18] NC-3201 - Adjust for Hydro Stations Sale

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NC-1202
Page 1 of 1
January

Average of Consumer Price Index and Producer Price Index

Line No.	Period	CPI [1] (a)	PPI [2] Finished goods less food & energy (b)	PPI [3] Processed materials less food & energy (c)	PPI Average (d)= Average of (b) and (c)
1	December 2017	246.524	200.6	196.3	
2	January 2018	247.867	200.9	197.2	
3	February 2018	248.991	201.3	198.3	
4	March 2018	249.554	201.8	199.3	
5	April 2018	250.546	202.3	199.8	
6	May 2018	251.588	202.7	201.3	
7	June 2018	251.989	203.1	202.3	
8	July 2018	252.006	203.7	203.0	
9	August 2018	252.146	204.2	203.7	
10	September 2018	252.439	204.6	204.5	
11	October 2018	252.885	205.1	204.8	
12	November 2018	252.038	205.6	204.2	
13	December 2018	251.233	205.8	203.1	
14					
15	13 month average	250.8	203.2	201.4	
16					
17	Increase from average to year end (L13 - L15)	0.5	2.6	1.7	
18	% increase from average to year end (L17 / L15)	0.19%	1.28%	0.86%	1.07%
19	Average inflation rate (Average, Line 18, Col. (a) and Col. (d))	0.63%			

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

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

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

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Annualize O&M non-labor expenses
For the test period ended December 31, 2018

NC-1203
Page 1 of 1
January

Consumer Price Index - All Urban Consumers
Original Data Value

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.736
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	240.007
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	251.107
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	255.657
2020	Not available												

Source: Bureau of Labor Statistics

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Duke Energy Carolinas, LLC
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Annualize O&M non-labor expenses
For the test period ended December 31, 2018

NC-1204
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January

Producer Price Index-Commodities
Original Data Value

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	170.8	170.9	171.2	171.3	171.2	171.8	171.4	171.8	171.6	171.5	172.1	172.1	171.5
2010	172.5	172.6	172.9	172.9	173.4	173.6	173.7	173.9	174.3	174.3	174.3	174.6	173.6
2011	175.3	175.7	176.2	176.8	177.0	177.6	178.2	178.5	179.0	179.4	179.6	180.0	177.8
2012	180.7	181.0	181.3	181.6	181.8	182.1	182.9	183.2	183.2	183.3	183.7	183.7	182.4
2013	183.9	184.2	184.4	184.6	184.8	185.0	185.2	185.3	185.4	185.6	185.9	186.7	185.1
2014	187.5	187.7	187.7	187.9	188.2	188.5	188.7	189.0	189.2	189.7	189.7	189.8	188.6
2015	190.7	191.3	191.5	191.6	191.8	192.7	193.0	193.0	193.2	193.0	193.1	193.4	192.4
2016	193.9	194.2	194.3	194.6	194.9	195.4	195.4	195.7	195.8	196.1	196.3	196.7	195.3
2017	197.1	197.4	197.8	198.5	198.6	198.8	198.9	199.2	199.2	200.0	200.5	200.6	198.9
2018	200.9	201.3	201.8	202.3	202.7	203.1	203.7	204.2	204.6	205.1	205.6	205.8	203.4
2019	206.6	206.9	207.2	207.5	207.8	207.7	208.1	208.2	208.3	208.4	208.7	208.9	207.9
2020	Not available												

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

Source: Bureau of Labor Statistics

I/A

Duke Energy Carolinas, LLC
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For the test period ended December 31, 2018

NC-1205
Page 1 of 1
January

Producer Price Index-Commodities
Original Data Value

Series Id: WPSID69115

Seasonally Adjusted

Group: Intermediate demand by commodity type

Item: Processed materials less foods and energy

Base 198200

Date:

Years: 2009 to 2019

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	174.8	173.5	172.7	171.8	171.4	171.8	172.2	173.2	174.2	174.5	174.9	175.9	173.4
2010	177.0	178.4	179.6	181.4	181.8	180.9	180.2	180.5	180.9	182.0	183.1	184.1	180.8
2011	186.6	188.8	190.2	192.4	193.5	193.7	194.2	194.2	194.2	193.0	192.3	191.3	192.0
2012	192.0	193.2	194.5	194.7	194.1	191.9	191.2	191.3	192.0	192.2	192.1	192.6	192.7
2013	193.7	194.7	194.4	193.9	193.6	193.5	193.3	193.7	193.7	193.6	193.6	194.0	193.8
2014	194.6	195.2	194.8	195.1	195.0	195.1	195.9	196.3	196.3	195.8	194.9	193.9	195.2
2015	191.8	191.1	190.5	190.1	190.1	190.2	190.0	189.1	188.1	187.7	187.1	186.6	189.4
2016	185.8	185.2	185.1	185.7	186.2	186.6	186.9	187.4	187.7	188.0	188.7	189.4	186.9
2017	190.0	191.3	192.1	192.9	192.8	193.1	192.9	193.5	194.2	195.0	196.0	196.3	193.3
2018	197.2	198.3	199.3	199.8	201.3	202.3	203.0	203.7	204.5	204.8	204.2	203.1	201.8
2019	203.1	202.7	202.4	202.2	201.7	201.0	200.7	200.0	199.8	200.0	199.5	199.2	201.0
2020	Not available												

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

Source: Bureau of Labor Statistics

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Normalize O&M labor expenses
For the test period ended December 31, 2018

NC-1300
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

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

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

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

September Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended September 2019
NC 1310 - applies the updated Catawba percentage on 2019 figures.

October Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended October 2019
NC 1310 - applies the updated Catawba percentage on 2019 figures.

November Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended November 2019
NC 1310 - applies the updated Catawba percentage on 2019 figures.

December Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended December 2019
NC 1310 - applies the updated Catawba percentage on 2019 figures.
NC 1311 - Updated with actual 2019 E&Y Expenses

January Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended January 2020
NC 1310 - applies the updated Catawba percentage on 2019 figures.

I/A

Duke Energy Carolinas, LLC
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Normalize O&M labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1300
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January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-1301	(28,093)	(23,765)	(4,328)
11	Depreciation and amortization		-	-	-
12	General taxes	NC-1301	(1,507)	(1,162)	(346)
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1301	6,912	5,820	1,091
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(22,688)	(19,106)	(3,582)
18					
19	Operating income	L4 - L17	\$ 22,688	\$ 19,106	\$ 3,582
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Line No.	Description	Labor Per Books	As of 1/31/2020 HR Salaries	Pro Forma HR salaries
1				
2	<u>Salaries and Wages by Payroll Company</u>			
3	Duke Energy Carolinas - salaries and wages - charged to Duke Energy Carolinas	\$ 697,465 [1]	\$ 663,040 [2]	\$ (34,425)
4	Service Company (DEBS) - salaries and wages - charged to Duke Energy Carolinas	200,403 [1]	187,015 [2]	(13,387)
5	Duke Energy Progress - salaries and wages - charged to Duke Energy Carolinas	29,217 [1]	27,658 [2]	(1,559)
6	Total salaries and wages (Sum L3 through L5)	\$ 927,084	\$ 877,713	\$ (49,372)
7				
8	<u>Calculation of Electric O&M % to Apply to Salaries & Wages Adjustment</u>			
9	Total salaries and wages (Form 1, Page 355, Line 96, Col (d))	\$ 1,295,173 [4]		
10	Less: other work in progress (Form 1, Page 355, Line 79, Col (b))	7,156 [4]		
11	Less: allocation of payroll charged for clearing accounts (Form 1, Page 355, Line 96, Col (c))	26,285 [4]		
12	Total salaries and wages - excl. other WIP & allocation of clearing accounts (L9 - L10 - L11)	\$ 1,261,732		
13				
14	Total operating and maintenance (Form 1, Page 354, Line 28, Col (b))	\$ 977,425 [4]		
15	Less: reimbursement of electric O&M by Catawba Joint Owners	134,176 [3]		
16	Net electric O&M salaries and wages (L14 - L15)	\$ 843,249		
17				
18	Percent of incurred costs charged to electric expense (L16 / L12)	66.83%		66.83%
19	Net electric O&M salaries and wages to adjust (L6 x L18)			\$ (32,995)
20				
21	<u>Adjustment to General Taxes - FICA</u>			
22	Net electric O&M salaries and wages to adjust (L19)			\$ (32,995)
23	Percentage of wages subject to OASDI			85.42% [5]
24	Electric wage adjustment subject to OASDI tax (L22 x L23)			\$ (28,184)
25	OASDI tax rate (employers)			6.20% [6]
26	Adjustment due to wage adjustment (before Medicare rate) (L24 x L25)			\$ (1,747)
27				
28	Net electric O&M salaries and wages to adjust (L19)			\$ (32,995)
29	Medicare tax rate			1.45% [6]
30	Adjustment due to Medicare tax (L28 x L29)			\$ (478)
31				
32	Impact to general taxes (L26 + L30)			\$ (2,226)
33				
34	<u>Calculation of Fringe Benefits Contribution Rate</u>			
35	Account 926 - employee pensions and benefits - 12 Months Ended December 31, 2018	\$ 102,240 [7]		
36	Total operating and maintenance (Form 1, Page 354, Line 28, Col (b)) (L14)	977,425		
37	Fringe benefits contribution rate (L35 / L36)	10.46%		

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Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
38				
39	<u>Calculation of O&M (Including Fringe Benefits & Variable Pay) and Income Tax</u>			
40	Net electric O&M salaries and wages to adjust (L19)	\$ (32,995)		
41	Fringe benefits contribution rate (L37)	10.4600%		
42	Fringe benefits adjustment (L40 x L41)	\$ (3,451)		
43				
44	Adjustment to restate variable short and long term pay at target NC-1310	\$ (6,784) [8]		
45	Adjustment to Annualize E&Y Tax Service Contract NC-1311	1,746 [9]		
46				
47	Impact to O&M (L40 + L42 + L44 + L45)	\$ (41,484)	67.7195% [10]	\$ (28,093)
48				
49	Impact to general taxes (L32)	\$ (2,226)	67.7195% [10]	\$ (1,507)
50				
51	Taxable income (-L47 - L49)	\$ 43,710		\$ 29,600
52	Statutory tax rate	23.3503% [11]		23.3503% [11]
53	Impact to income taxes (L51 x L52)	\$ 10,206		\$ 6,912
54				
55	Impact to operating income (L51 - L53)	\$ 33,503		\$ 22,688

- [1] NC-1302 - Salaries and Wages by Payroll Company for Duke Energy Carolinas - 12 Months Ended Dec. 31, 2018
[2] NC-1304 - Annual Salary Information by Payroll Company for Duke Energy Carolinas at January 31, 2020
[3] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended Dec 31, 2018, Line 10
[4] NC-1306 - Distribution of Salaries and Wages, 12 Months Ended December 31, 2018 (Form 1, Page 354-355)
[5] NC-1307 - Quarterly Federal Tax Summary Report (Report ID: TAX010FD), Line 22
[6] NC-1308 - OASDI and SSI Program Rates & Limits - 2019
[7] NC-1309 - Duke Energy Carolinas - (926) Employee Pensions and Benefits - 12 Months Ended December 31, 2018
[8] NC-1310 - Variable Short and Long Term Pay for Duke Energy Carolinas - 12 Months Ended December 31, 2018
[9] NC-1311 - Adjustment to Annualize Ernst & Young outside tax services contract, Line 3
[10] Allocation Factor - Labor [Wage and Salary Related Items] (Factor 59)
[11] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

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

Line No.	Payroll Company	Resource Category	Capital	O&M	Total	Percentage
1						
2	Duke Energy Carolinas (Payroll Company 100)	Direct Labor	\$ 159,969,598	\$ 420,023,573	\$ 579,993,171	83.1573%
3	Duke Energy Carolinas (Payroll Company 100)	Allocated Labor	33,242,789	84,228,819	117,471,608	16.8427%
4	Subtotal		\$ 193,212,387	\$ 504,252,393	\$ 697,464,780	100.0000%
5						
6	Service Company (Payroll Co. 110) - charged to DE Carolinas	Direct Labor	\$ 50,335,064	\$ 120,795,354	\$ 171,130,418	85.3933%
7	Service Company (Payroll Co. 110) - charged to DE Carolinas	Allocated Labor	9,582,370	19,689,741	29,272,111	14.6067%
8	Subtotal		\$ 59,917,434	\$ 140,485,095	\$ 200,402,529	100.0000%
9						
10	Duke Energy Progress (Payroll Co. 801) - charged to DE Carolinas	Direct Labor	\$ 5,713,158	\$ 17,540,585	\$ 23,253,744	79.5901%
11	Duke Energy Progress (Payroll Co. 801) - charged to DE Carolinas	Allocated Labor	1,066,658	4,896,468	5,963,126	20.4099%
12	Subtotal		\$ 6,779,816	\$ 22,437,054	\$ 29,216,870	100.0000%
13						
14	Total		<u>\$ 259,909,637</u>	<u>\$ 667,174,542</u>	<u>\$ 927,084,179</u>	

Source: Duke Energy Carolinas General Accounting and Reporting

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Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended December 31, 2018

Line No.	Description	Gross YTD Total	Catawba Reimbursement
1	O&M	\$ 145,563,811	\$ 117,548,600
2	A&G allocation	20,027,593	16,173,082
3	Capital retirements	642,980	519,232
4	Capital additions	16,116,215	13,014,488
5	Accounting & billing, operating	416,108	346,757
6	Accounting & billing, interconnect	258,270	107,612
7	Total (Sum L1 through L6)	<u>\$ 183,024,977</u>	<u>\$ 147,709,772</u>
8			
9		Less: capital retirements and additions (L3 + L4)	\$ 13,533,720
10		Total (excluding capital retirements and additions) (L7 - L9)	\$ 134,176,051
11			
12	<u>Calculation of Catawba Allocation Rate</u>		
13			
14	Total Catawba O&M labor expense (L1)	\$ 145,563,811	
15			
16	Duke Energy Carolinas total salaries & wages	\$ 1,295,172,502 [1]	
17	Less: A&G salaries and wages	254,542,871 [2]	
18	Total salaries and wages excluding A&G (L16 - L17)	<u>\$ 1,040,629,631</u>	
19			
20	Catawba reimbursement allocation rate (L14 / L18)	<u>13.988%</u>	
21			
22	NOTES:		
23	(a) Includes manual journals		
24	(b) Labor is reimbursed at 80.754% with these exceptions:		
25	- accounting & billing, operating \$ are reimbursed at 83.3333% and interconnect \$ are reimbursed at 50% of the 83.3333%		

[1] NC-1306 - Distr. of Salaries and Wages, 12 Months Ended Dec 31, 2018 (Form 1, Page 354-355), Page 2, Line 96, Col (d)
[2] NC-1306 - Distr. of Salaries and Wages, 12 Months Ended Dec 31, 2018 (Form 1, Page 354-355), Page 1, Line 27, Col (b)

Source: Duke Energy Catawba Joint Owner Accounting

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Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended January 31, 2020

Line No.	Description	Gross 12 Month End	[1]	Catawba Reimbursement
1	O&M	\$ 120,335,100		\$ 97,191,557
2	A&G allocation	19,838,782		16,020,610
3	Capital retirements	1,443,127		1,165,383
4	Capital additions	9,062,351		7,318,211
5	Accounting & billing, operating	423,990		353,325
6	Accounting & billing, interconnect	257,274		107,197
7	Total (Sum L1 through L6)	<u>\$ 151,360,624</u>		<u>\$ 122,156,283</u>
8				
9				
10				
11				
12	<u>Calculation of Catawba Allocation Rate</u>			
13				
14	Total Catawba O&M labor expense (L1)	\$ 120,335,100		
15				
16	Duke Energy Carolinas total salaries & wages	\$ 1,173,075,377	[2]	
17	Less: A&G salaries and wages	176,951,688	[2]	
18	Total salaries and wages excluding A&G (L16 - L17)	<u>\$ 996,123,690</u>		
19				
20	Catawba reimbursement allocation rate (L14 / L18)	<u>12.080%</u>		
21				
22	NOTES:			
23	(a) Includes manual journals			
24	(b) Labor is reimbursed at 80.754% with these exceptions:			
25	- accounting & billing, operating \$ are reimbursed at 83.3333% and interconnect \$ are reimbursed at 50% of the 83.3333%			

[1] PS DR 33.5e Catawba Support Dec 2019

[2] FERC Form 1 by Line December, 2019.

Source: Duke Energy Catawba Joint Owner Accounting

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Annual Salary Information by Payroll Company for Duke Energy Carolinas at January 31, 2020

Line No.	Payroll Company	Grand Total
1		
2	Duke Energy Carolinas (Payroll Company 100)	\$ 797,281,773 [2]
3	Duke Energy Carolinas % of labor charged to Duke Energy Carolinas	83.1625% [1]
4	Duke Energy Carolinas labor charged to Duke Energy Carolinas (L2 x L3)	\$ 663,039,687
5		
6	Service Company (Payroll Company 110)	\$ 745,333,620 [2]
7	Service Company % of labor charged to Duke Energy Carolinas	25.0915% [1]
8	Service Company labor charged to Duke Energy Carolinas (L6 x L7)	\$ 187,015,281
9		
10	Duke Energy Progress (Payroll Company 801)	\$ 436,077,144 [2]
11	Duke Energy Progress % of labor charged to Duke Energy Carolinas	6.3424% [1]
12	Duke Energy Progress labor charged to Duke Energy Carolinas (L10 x L11)	\$ 27,657,566
13		
14	Total - sum of annual salaries (L4 + L8 + L12)	\$ 877,712,534

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

[2] Information provided by Duke Energy Human Resources Operations

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

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

Line No.	Resp Center Level 2 Node Name LVL	BU Group	Monetary Amount JD	Percentage
1				
2	100_DUKE_POWER_CONSO	1. DE Carolinas	\$ 666,157,301	83.1625%
3	100_DUKE_POWER_CONSO	2. DE Progress	81,860,874	10.2194%
4	100_DUKE_POWER_CONSO	3. DEBS	672,409	0.0839%
5	100_DUKE_POWER_CONSO	4. Other	52,340,011	6.5341%
6	100_DUKE_POWER_CONSO		<u>\$ 801,030,594</u>	<u>100.0000%</u>
7				
8	110_SERVICE_COMPANY	1. DE Carolinas	\$ 191,124,797	25.0915%
9	110_SERVICE_COMPANY	2. DE Progress	132,104,618	17.3431%
10	110_SERVICE_COMPANY	3. DEBS	48,194,786	6.3272%
11	110_SERVICE_COMPANY	4. Other	390,287,547	51.2382%
12	110_SERVICE_COMPANY		<u>\$ 761,711,747</u>	<u>100.0000%</u>
13				
14	801_DE_PROGRESS	1. DE Carolinas	\$ 28,455,118	6.3424%
15	801_DE_PROGRESS	2. DE Progress	412,006,670	91.8321%
16	801_DE_PROGRESS	3. DEBS	112,252	0.0250%
17	801_DE_PROGRESS	4. Other	8,078,126	1.8005%
18	801_DE_PROGRESS		<u>\$ 448,652,166</u>	<u>100.0000%</u>
19				
20	Total		<u>\$ 2,011,394,507</u>	

Source: Duke Energy Corporate Accounting

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Name of Respondent Duke Energy Carolinas, LLC		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report End of 2018/Q4
--	--	---	--	---

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	328,525,876		
4	Transmission	13,879,004		
5	Regional Market			
6	Distribution	33,336,404		
7	Customer Accounts	31,371,061		
8	Customer Service and Informational	8,491,989		
9	Sales	8,976,919		
10	Administrative and General	254,085,298		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	678,666,551		
12	Maintenance			
13	Production	237,203,540		
14	Transmission	11,667,468		
15	Regional Market			
16	Distribution	49,429,661		
17	Administrative and General	457,573		
18	TOTAL Maintenance (Total of lines 13 thru 17)	298,758,242		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	565,729,416		
21	Transmission (Enter Total of lines 4 and 14)	25,546,472		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	82,766,065		
24	Customer Accounts (Transcribe from line 7)	31,371,061		
25	Customer Service and Informational (Transcribe from line 8)	8,491,989		
26	Sales (Transcribe from line 9)	8,976,919		
27	Administrative and General (Enter Total of lines 10 and 17)	254,542,871		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	977,424,793	5,141,951	982,566,744
29	Gas			
30	Operation			
31	Production-Manufactured Gas			
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply			
34	Storage, LNG Terminaling and Processing			
35	Transmission			
36	Distribution			
37	Customer Accounts			
38	Customer Service and Informational			
39	Sales			
40	Administrative and General			
41	TOTAL Operation (Enter Total of lines 31 thru 40)			
42	Maintenance			
43	Production-Manufactured Gas			
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing			
47	Transmission			

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DUKE ENERGY CAROLINAS					December 31, 2018
DISTRIBUTION OF SALARIES AND WAGES					
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)	
48	Distribution				
49	Administrative and General				
50	TOTAL Maintenance (Enter Total of lines 43 thru 49)	None			
51	Total Operation and Maintenance				
52	Production - Manufactured Gas (Enter Total of lines 31 and 43)				
53	Production - Natural Gas (Including Expl. and Dev.)				
54	Other Gas Supply (Enter Total of lines 33 and 45)				
55	Storage, LNG Terminating and Processing (Enter Total of lines 31 thru 47)				
56	Transmission (Enter Total of lines 35 and 47)				
57	Distribution (Enter Total of lines 36 and 48)				
58	Customer Accounts (Transcribe from line 37)				
59	Customer Service and Informational (Line 38)				
60	Sales (Line 39)				
61	Administrative and General (Lines 40 and 49)				
62	TOTAL Operation and Maintenance (Total of lines 52 thru 61)	None			
63	Other Utility Departments				
64	Operation and Maintenance	0		0	
65	TOTAL All Utility Dept. (Total of lines 28, 62 & 64)	977,424,793	5,141,951	982,566,744	
66	Utility Plant				
67	Construction (By Utility Departments)				
68	Electric Plant	245,772,684	21,143,121	266,915,805	
69	Gas Plant				
70	Other (provide details in footnote)	0		0	
71	TOTAL Construction (Enter Total of lines 68 thru 70)	245,772,684	21,143,121	266,915,805	
72	Plant Removal (By Utility Departments)				
73	Electric Plant	29,208,641		29,208,641	
74	Gas Plant				
75	Other (provide details in footnote)	0		0	
76	TOTAL Plant Removal (Total of lines 73 thru 75)	29,208,641			
77	Other Accounts (Specify, provide details in footnote):				
78	Non-Regulated Products & Services	4,695,780		4,695,780	
79	Other Work in Progress	7,155,564		7,155,564	
80	Other Accounts	4,629,968		4,629,968	
95	TOTAL Other Accounts	16,481,312		16,481,312	
96	TOTAL SALARIES AND WAGES	1,268,887,430	26,285,072	1,295,172,502	

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Source: Duke Energy HR Operations

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

Line No.	Description	(a)	(b)	(c)	12 Months Ended Dec 31, 2018 (d)
1					
2	<u>Duke Energy Carolinas</u>				
3	100 Duke Energy Carolinas, LLC OASDI [ER] YTD Gross Wages				1,087,229,757 [1]
4	100 Duke Energy Carolinas, LLC OASDI [ER] YTD Taxable Wages				938,515,849 [1]
5	Percentage Total (L4 / L3)				86.3218%
6					
7	<u>Duke Energy Business Services</u>				
8	110 Duke Energy Business Services, LLC OASDI [ER] YTD Gross Wages				950,101,600 [2]
9	110 Duke Energy Business Services LLC OASDI [ER] YTD Taxable Wages				778,374,460 [2]
10	Percentage Total (L9 / L8)				81.93%
11					
12	<u>Duke Energy Progress</u>				
13	801 Duke Energy Progress, LLC OASDI [ER] YTD Gross Wages				613,149,643 [3]
14	801 Duke Energy Progress, LLC OASDI [ER] YTD Taxable Wages				539,237,877 [3]
15	Percentage Total (L14 / L13)				87.9456%
16					
17	<u>Calculation of Percentage of Wages Subject to OASDI</u>				
18	<u>For 12 Months Ended December 31, 2018</u>				
19	Duke Energy Carolinas	697,464,780 [4]	75.23% [5]	86.32% [8]	64.9417% [11]
20	Duke Energy Business Services	200,402,529 [4]	21.62% [6]	81.93% [9]	17.7093% [11]
21	Duke Energy Progress	29,216,870 [4]	3.15% [7]	87.95% [10]	2.7716% [11]
22	Total (Sum L19 through L21)	927,084,179	100.00%		85.4200%

- [1] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 100
 [2] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 110
 [3] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 801
 [4] NC-1302 - Salaries and Wages by Payroll Company for Duke Energy Carolinas - 12 Months Ended December 31, 2018
 [5] Column (a), Line 19 divided by Line 22
 [6] Column (a), Line 20 divided by Line 22
 [7] Column (a), Line 21 divided by Line 22
 [8] Column (d), Line 5
 [9] Column (d), Line 10
 [10] Column (d), Line 15
 [11] Column (b) multiplied by Column (c)

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Quarterly Federal Tax Summary Report - 100 - Duke Energy Carolinas, LLC

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

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OASDI and SSI Program Rates & Limits 2019

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

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

Supplemental Security Income (SSI)

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



Office of Retirement and Disability Policy

www.ssa.gov/policy

Produced and published at U.S. taxpayer expense

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

Line			
<u>No.</u>	<u>Account & Description</u>	<u>Total</u>	
1			
2	0926000 - Employee Pensions and Benefits	\$ 245,276,637	[1]
3	0926420 - Employees' Tuition Refund	1,952	[1]
4	0926430 - Employees' Recreation Expense	79,872	[1]
5	0926600 - Employee Benefits - Transferred	(83,000,962)	[1]
6	0926999 - Non Service Cost (ASU 2017-07)	(60,117,517)	[1]
7	Total	<u>\$ 102,239,982</u>	

[1] E-1 Item 2, Trial Balance

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

Line No.	Description	Total Carolinas
1		
2	Level of variable short term pay - 2018	\$ 111,871 [1]
3	Level of variable long term pay - 2018	26,162 [2]
4	Total (L2 + L3)	\$ 138,033
5		
6	2018 Catawba reimbursement allocation rate	13.988% [4]
7	Non-ownership percentage in Catawba plant	80.7540% [4]
8		
9	Costs reimbursed by Catawba Joint Owners (L4 x L6 x L7)	15,592
10	Remaining variable short and long term pay (L4 - L9)	\$ 122,441
11		
12		
13	2019 target level of variable short term pay	\$ 100,694 [3]
14	2019 target level of variable long term pay	27,465 [2]
15	Total (L13 + L14)	\$ 128,159
16		
17	2019 Catawba reimbursement allocation rate	12.0800% [5]
18	Non-ownership percentage in Catawba plant (L7)	80.754%
19		
20	Estimated costs reimbursed by Catawba Joint Owners (L15 x L17 x L18)	12,502
21	Remaining variable short and long term pay (L15 - L20)	\$ 115,657
22		
23	Adjustment to restate variable short and long term pay at target (L21 - L10)	\$ (6,784)

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

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

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

[4] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended December 31, 2018, Lines 20 and 24

[4] NC-1303 (Update)- Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended September 30, 2019, Lines 20 and 24

[5] NC-1303 (Update) 2019 Catawba Allocation Rate

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

Line No.	Description	Other Balance Sheet (a)	Capital (b)	O&M (c)	Total (d)
1					
2	<u>Direct Charge:</u>				
3	Duke Energy Commercial Enterprises	\$ 312	\$ 208	\$ 1,821	\$ 2,341
4	Duke Energy Business Services	4,100,745	3,751,110	15,394,484	23,246,339
5	Duke Energy Carolinas	5,927,462	16,043,481	78,169,867	100,140,810
6	Duke Energy Indiana	9	15,413	70,314	85,736
7	Duke Energy Kentucky	-	12	5,129	5,142
8	Duke Energy Ohio	265	658	27,936	28,860
9	Piedmont Natural Gas	2,608	63	36,649	39,320
10	Duke Energy Progress	108,389	712,593	1,855,844	2,676,826
11	Duke Energy Florida	9,426	50,783	318,990	379,199
12	Direct Charge Total (Sum L3 through L11)	<u>\$ 10,149,217</u>	<u>\$ 20,574,322</u>	<u>\$ 95,881,035</u>	<u>\$ 126,604,574</u>
13					
14	% split between capital and O&M for direct charges		17.6671%	82.3329%	100.0000%
15					
16	<u>Service Company Allocation:</u>				
17	Duke Energy Commercial Enterprises	\$ -	\$ -	\$ 441	\$ 441
18	Duke Energy Business Services	-	217,642	12,078,469	12,296,111
19	Duke Energy Carolinas	-	28,258	(4,892,829)	(4,864,571)
20	Duke Energy Indiana	-	39	2,211	2,250
21	Duke Energy Kentucky	-	-	-	-
22	Duke Energy Ohio	-	-	(0)	(0)
23	Piedmont Natural Gas	-	-	(10,648)	(10,648)
24	Duke Energy Progress	-	5,399	552,836	558,235
25	Duke Energy Florida	-	1,551	(97,139)	(95,589)
26	Service Company Allocation Total (Sum L17 through L25)	<u>\$ -</u>	<u>\$ 252,889</u>	<u>\$ 7,633,341</u>	<u>\$ 7,886,230</u>
27					
28	Percentage split between capital and O&M for allocated		3.2067%	96.7933%	100.0000%
29					
30	Total (L12 + L26)	<u>\$ 10,149,217</u>	<u>\$ 20,827,211</u>	<u>\$ 103,514,376</u>	<u>\$ 134,490,804</u>
31					
32	Percentage split between capital and O&M for total		16.7500%	83.2500%	100.0000%
33					
34	<u>Summary:</u>				
35	Direct (L12)	\$ 10,149,217	\$ 20,574,322	\$ 95,881,035	\$ 126,604,574
36	Re-assignment of direct 'other' (-L36, Col. (a) x L14)	(10,149,217)	1,793,072	8,356,144	-
37	Allocated (L26)	0	252,889	7,633,341	7,886,230
38	Re-assignment of allocated "other"	-	0	0	(0)
39	Total (Sum L35 through L38)	<u>\$ 0</u>	<u>\$ 22,620,284</u>	<u>\$ 111,870,521</u>	<u>\$ 134,490,804</u>

Source: Duke Energy Corporate Accounting

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

Line No.	Description	Other Balance Sheet (a)	Capital (b)	O&M (c)	Total (d)
1					
2	<u>Direct Charge:</u>				
3	Duke Energy Commercial Enterprises	\$ 312	\$ 208	\$ 1,821	\$ 2,341
4	Duke Energy Business Services	4,100,745	3,751,110	15,394,484	23,246,339
5	Duke Energy Carolinas	5,927,462	16,043,481	67,180,639	89,151,582
6	Duke Energy Indiana	9	15,413	70,314	85,736
7	Duke Energy Kentucky	-	12	5,129	5,142
8	Duke Energy Ohio	265	658	27,936	28,860
9	Piedmont Natural Gas	2,608	63	36,649	39,320
10	Duke Energy Progress	108,389	712,593	1,855,844	2,676,826
11	Duke Energy Florida	9,426	50,783	318,990	379,199
12	Direct Charge Total (Sum L3 through L11)	<u>\$ 10,149,217</u>	<u>\$ 20,574,322</u>	<u>\$ 84,891,807</u>	<u>\$ 115,615,346</u>
13					
14	Percentage split between capital and O&M for direct charges		19.5080%	80.4920%	100.0000%
15					
16	<u>Service Company Allocation:</u>				
17	Duke Energy Commercial Enterprises	\$ -	\$ -	\$ 441	\$ 441
18	Duke Energy Business Services	-	217,642	12,078,469	12,296,111
19	Duke Energy Carolinas	-	28,258	(4,892,829)	(4,864,571)
20	Duke Energy Indiana	-	39	2,211	2,250
21	Duke Energy Kentucky	-	-	-	-
22	Duke Energy Ohio	-	-	(0)	(0)
23	Piedmont Natural Gas	-	-	(10,648)	(10,648)
24	Duke Energy Progress	-	5,399	552,836	558,235
25	Duke Energy Florida	-	1,551	(97,139)	(95,589)
26	Service Company Allocation Total (Sum L17 through L25)	<u>\$ -</u>	<u>\$ 252,889</u>	<u>\$ 7,633,341</u>	<u>\$ 7,886,230</u>
27					
28	Percentage split between capital and O&M for allocated		3.2067%	96.7933%	100.0000%
29					
30	Total (L12 + L26)	<u>\$ 10,149,217</u>	<u>\$ 20,827,211</u>	<u>\$ 92,525,148</u>	<u>\$ 123,501,576</u>
31					
32	Percentage split between capital and O&M for total		18.3739%	81.6261%	100.0000%
33					
34	<u>Summary:</u>				
35	Direct (L12)	\$ 10,149,217	\$ 20,574,322	\$ 84,891,807	\$ 115,615,346
36	Re-assignment of direct 'other' (-L36, Col. (a) x L14)	(10,149,217)	1,979,909	8,169,307	-
37	Allocated (L26)	0	252,889	7,633,341	7,886,230
38	Re-assignment of allocated "other"	(0)	0	0	-
39	Total (Sum L35 through L38)	<u>\$ -</u>	<u>\$ 22,807,121</u>	<u>\$ 100,694,456</u>	<u>\$ 123,501,576</u>

Source: Duke Energy Corporate Accounting

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Duke Energy Carolinas, LLC
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Variable Long Term Pay for Duke Energy Carolinas

Line No.	Description	Total (a)	Performance Awards (b)	Restricted Stock Units (c)
1				
2	<u>Stock-Based Compensation - Actuals - 12 Months Ended December 31, 2018</u>			
3				
4	Grand total - gross	\$ 28,181,797	\$ 13,040,845	\$ 15,140,952
5	Less: capital	2,020,005	336,992	1,683,013
6	Stock-based compensation, net EBIT	\$ 26,161,792	\$ 12,703,853	\$ 13,457,939
7				
8				
9	<u>Ongoing Stock-Based Compensation</u>			
10				
11	Grand total - gross	\$ 30,437,227	\$ 11,516,828	\$ 18,920,399
12	Less: capital	2,972,381	512,175	2,460,206
13	Stock-based compensation, net EBIT	\$ 27,464,846	\$ 11,004,653	\$ 16,460,193

Source: Duke Energy Corporate Accounting

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Annualize O&M non-labor expenses
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Adjustment to Annualize Ernst & Young outside tax services contract

Line No.	Description	Total Company	DEC Allocation	Total DEC
1	Estimated costs for E&Y outside tax services in 2019	\$7,586,926	34.8400% [1]	\$2,643,285
2	Total costs for E&Y outside tax services in 2018	2,533,332	35.4100% [2]	897,053
3	Adjustment to annual expense for E&Y outside tax services	\$5,053,594		\$1,746,232

[1] 2019 Service Company Cost Allocation

[2] 2018 Service Company Cost Allocation

Source - Duke Energy Carolinas - Corporate Services Business Support

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Duke Energy Carolinas, LLC
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Update benefits costs
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E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expense and income taxes for changes in benefits costs.

The impact to operation and maintenance expense reflects the annual level of pension, OPEB, Active Medical, FAS112 and non-qualified pension benefits based on a report from the Company's third party consultant less actual amounts in the test period for these expenses. An adjustment to OPEB to remove terminating prior service credit and an adjustment to both Pension and OPEB for changes due to the new accounting standard ASU 2017-07 are included.

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

January Update

Updated projection information to reflect the 2020 actuarial study information.

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Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-1401	(3,560)	(1,433)	(2,126)
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1401	831	335	496
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(2,728)	(1,099)	(1,630)
18					
19	Operating income	L4 - L17	\$ 2,728	\$ 1,099	\$ 1,630
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Line No.	Benefits by Category	12 Months Ended Dec. 2018 Total	2020 Projection Total	Adjustment	NC Retail Allocation	Total NC Retail
1	<u>Benefits provided to Duke Energy Carolinas charged to Duke Energy Carolinas:</u>					
2	Qualified Pension	\$ 4,029 [1]	\$ (5,390) [1]			
3	Adjusted OPEB and Active Medical	94,328 [2]	99,238 [2]			
4	FAS 112	10,309 [3]	8,919 [3]			
5	Non-Qualified Pension	1,469 [4]	1,691 [4]			
6	Total (Sum L2 through L5)	\$ 110,135	\$ 104,459			
7						
8	<u>Benefits provided to the Service Company allocated to Duke Energy Carolinas:</u>					
9	Qualified Pension	\$ 7,066 [1]	\$ 1,956 [1]			
10	Adjusted OPEB and Active Medical	24,679 [2]	26,004 [2]			
11	FAS 112	745 [3]	1,471 [3]			
12	Non-Qualified Pension	3,149 [4]	3,657 [4]			
13	Total (Sum L9 through L12)	\$ 35,639	\$ 33,087			
14						
15	Percent of incurred costs charged to electric expense for All - Except Non-Qualified	66.8300% [5]	66.8300% [5]			
16	Percent of incurred costs charged to electric expense for Non-Qualified	100.00%	100.00%			
17						
18	Total Pension, OPEB and FAS112 to expense ((Sum L2:L4 + Sum L9:L11) x L15)	\$ 94,334	\$ 88,348	\$ (5,986)		
19	Total Non-Qualified to expense (L5 + L12) x L16	4,618	5,348	730		
20	Impact to O&M (L18 + L19)	\$ 98,953	\$ 93,696	\$ (5,256)	67.7195% [6]	\$ (3,560)
21						
22	Statutory tax rate			23.3503% [7]		23.3503% [7]
23	Impact to income taxes (-L20 x L22)			\$ 1,227		\$ 831
24						
25	Impact to operating income (-L20 - L23)			\$ 4,029		\$ 2,728

[1] NC-1402 - Summary of Qualified Pension Expenses, Line 2 and Line 7

[2] NC-1403 - Summary of Adjusted OPEB and Active Medical Expenses, Line 5 and Line 14

[3] NC-1404 - Summary of FAS112 Expenses, Line 2 and Line 7

[4] NC-1405 - Summary of Non-Qualified Pension Expenses, Line 2 and Line 7

[5] NC-1301 - Normalize O&M labor expenses, Percent of incurred costs charged to electric expense, Line 18

[6] Allocation Factor - Labor [Wage and Salary Related Items] (Factor 59)

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

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Summary of Qualified Pension Expenses

Line No.	Description	12 Months Ended Dec. 2018 Total	2020 Projection Total
1	<u>Duke Energy Carolinas:</u>		
2	Qualified Pension	\$ 4,029,086	\$ (5,389,547)
3			
4	<u>Duke Energy Business Services:</u>		
5	Duke Energy Retirement Cash Balance Plan	\$ 24,310,049	\$ 13,598,704
6	Percentage charged to Duke Energy Carolinas from DEBS	29.0661%	14.3818%
7	Amount charged to Duke Energy Carolinas from DEBS (L5 x L6)	\$ 7,065,976	\$ 1,955,735
8			
9	Total Duke Energy Carolinas pension expenses (L2 + L7)	\$ 11,095,062	\$ (3,433,812)

Source: Duke Energy Corporate Accounting

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update benefits costs
For the test period ended December 31, 2018

NC-1403
Page 1 of 1
January

Summary of Adjusted OPEB and Active Medical Expenses

Line No.	Description	12 Months Ended Dec. 2018 Total	2020 Projection Total
1	<u>Duke Energy Carolinas:</u>		
2	OPEB	\$ (1,809,215)	\$ (2,895,380)
3			
4	Active Medical	\$ 96,136,836	\$ 102,133,321
5	Duke Energy Carolinas Adjusted OPEB and Active Medical (L2 + L4)	\$ 94,327,621	\$ 99,237,941
6			
7	<u>Duke Energy Business Services:</u>		
8	OPEB	\$ 1,824,063	\$ 130,714
9			
10	Active Medical	\$ 83,082,009	\$ 92,310,970
11	Duke Energy Carolinas Adjusted OPEB and Active Medical (L8 + L10)	\$ 84,906,072	\$ 92,441,684
12			
13	Percentage charged to Duke Energy Carolinas from DEBS	29.0661%	28.1302%
14	Amount charged to Duke Energy Carolinass from DEBS (L11 x L13)	\$ 24,678,860	\$ 26,004,011
15			
16	Total Duke Energy Carolinas OPEB and Active Medical expenses (L5 + L14)	\$ 119,006,481	\$ 125,241,952

Source: Duke Energy Corporate Accounting

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update benefits costs
For the test period ended December 31, 2018

NC-1404
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January

Summary of FAS112 Expenses

Line No.	Description	12 Months Ended Dec. 2018 Total	2020 Projection Total
1	<u>Duke Energy Carolinas:</u>		
2	FAS 112	\$ 10,309,225	\$ 8,919,372
3			
4	<u>Duke Energy Business Services:</u>		
5	FAS 112	\$ 2,562,669	\$ 5,058,756
6	Percentage charged to Duke Energy Carolinas from DEBS	29.0661%	29.0700%
7	Amount charged to Duke Energy Carolinass from DEBS (L5 x L6)	\$ 744,867	\$ 1,470,580
8			
9	Total Duke Energy Carolinas FAS 112 expenses (L2 + L7)	\$ 11,054,092	\$ 10,389,952

Source: Duke Energy Corporate Accounting

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update benefits costs
For the test period ended December 31, 2018

NC-1405
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January

Summary of Non-Qualified Pension Expenses

Line No.	Description	12 Months Ended Dec. 2018 Total	2020 Projection Total
1	<u>Duke Energy Carolinas:</u>		
2	Non-Qualified Pension	\$ 1,469,077	\$ 1,691,327
3			
4	<u>Duke Energy Business Services:</u>		
5	Non-Qualified Pension	\$ 10,834,340	\$ 10,647,967
6	Percentage charged to Duke Energy Carolinas from DEBS	29.0661%	34.2500%
7	Amount charged to Duke Energy Carolinass from DEBS (L5 x L6)	\$ 3,149,117	\$ 3,656,787
8			
9	Total Duke Energy Carolinas Non-Qualified pension expenses (L2 + L7)	\$ 4,618,194	\$ 5,348,114

Source: Duke Energy Corporate Accounting

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Levelize nuclear refueling outage costs
For the test period ended December 31, 2018

NC-1500
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expenses and income taxes to levelize nuclear refueling outage costs.

The impact to operation and maintenance expenses is determined by subtracting annualized latest known and measurable outage amortization expense from test period outage expense.

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

December Update

Updated NC-1501 for the new Catawba Unit 2 amortization amount that started December 2019.

January Update

Updated NC-1501 for the new Oconee Unit 2 amortization amount that started January 2020.

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For the test period ended December 31, 2018
(Dollars in thousands)

NC-1500
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January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-1501	(1,946)	(2,138)	192
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1501	454	499	(45)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(1,491)	(1,639)	147
18					
19	Operating income	L4 - L17	\$ 1,491	\$ 1,639	\$ (147)
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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(Dollars in thousands)

NC-1501
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January

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1				
2	<u>NC Amortization of Outage Deferral - Last Known and Measurable:</u>			
3	McGuire Unit 1			\$ 943 [1]
4	McGuire Unit 2			904 [1]
5	Catawba Unit 1			209 [1]
6	Catawba Unit 2			183 [1]
7	Oconee Unit 1			686 [1]
8	Oconee Unit 2			741 [1]
9	Oconee Unit 3			730 [1]
10	Total Monthly Amortization Expense (Sum L3 through L9)			\$ 4,395
11				
12	<u>NC Annualized Amortization Expense, Based on Last Known and Measurable:</u>			
13	McGuire Unit 1 (L3 x 12)			\$ 11,314
14	McGuire Unit 2 (L4 x 12)			10,844
15	Catawba Unit 1 (L5 x 12)			2,503
16	Catawba Unit 2 (L6 x 12)			2,192
17	Oconee Unit 1 (L7 x 12)			8,237
18	Oconee Unit 2 (L8 x 12)			8,886
19	Oconee Unit 3 (L9 x 12)			8,758
20	Total Annual Amortization Expense (Sum L13 through L19)			\$ 52,735
21				
22	Annualized NC outage amortization expense (L20)			\$ 52,735
23	Test year NC amortization of outage deferral			54,681 [2]
24	Impact to O&M (L22 - L23)			\$ (1,946)
25				
26	Statutory tax rate			23.3503% [3]
27	Impact to income taxes (-L24 x L26)			\$ 454
28				
29	Impact to operating income (-L24 - L27)			\$ 1,491

[1] Information provided by Duke Energy Carolinas Accounting

[2] NC-1502 - Amortization of Outage Deferral - Total in 2018 Test Period

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

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Levelize nuclear refueling outage costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1502
Page 1 Of 1
January

NC Amortization of Outage Deferral - 2018 Test Period

Line

<u>No.</u>	<u>Description</u>	<u>Total</u>	<u>Jan-18</u>	<u>Feb-18</u>	<u>Mar-18</u>	<u>Apr-18</u>	<u>May-18</u>	<u>Jun-18</u>	<u>Jul-18</u>	<u>Aug-18</u>	<u>Sep-18</u>	<u>Oct-18</u>	<u>Nov-18</u>	<u>Dec-18</u>
1	McGuire Unit 1	\$ 11,881	\$ 990	\$ 990	\$ 990	\$ 990	\$ 990	\$ 990	\$ 990	\$ 990	\$ 990	\$ 990	\$ 990	\$ 990
2	McGuire Unit 2	11,569	970	970	970	970	970	970	970	970	970	970	970	904
3	Catawba Unit 1	1,902	159	159	159	159	159	159	159	159	159	159	159	159
4	Catawba Unit 2	2,509	262	262	262	262	262	172	172	172	172	172	172	172
5	Oconee Unit 1	9,125	760	760	760	760	760	760	760	760	760	760	760	760
6	Oconee Unit 2	8,828	736	736	736	736	736	736	736	736	736	736	736	736
7	Oconee Unit 3	8,867	748	748	748	748	748	748	730	730	730	730	730	730
8	Total	<u>\$ 54,681</u>	<u>\$ 4,624</u>	<u>\$ 4,624</u>	<u>\$ 4,624</u>	<u>\$ 4,624</u>	<u>\$ 4,624</u>	<u>\$ 4,534</u>	<u>\$ 4,516</u>	<u>\$ 4,516</u>	<u>\$ 4,516</u>	<u>\$ 4,516</u>	<u>\$ 4,516</u>	<u>\$ 4,450</u>

[1] Information provided by Duke Energy Carolinas Accounting

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Duke Energy Carolinas, LLC
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Amortize rate case costs
For the test period ended December 31, 2018

NC-1600
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expense and income taxes for the amortization of rate case costs.

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

An annual level of rate case expense is projected based on actual expenses incurred through January 2020 and projected expenses through July 2020.

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

September Update

Updated Actuals through September 2019.

October Update

Updated Actuals through October 2019.

November Update

Updated Actuals through November 2019.

December Update

Updated Actuals through December 2019.

January Update

Updated Actuals through January 2020.

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Amortize rate case costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1600
Page 1 of 1
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-1601	801	801	-
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1601	(187)	(187)	-
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	614	614	-
18					
19	Operating income	L4 - L17	<u>\$ (614)</u>	<u>\$ (614)</u>	<u>\$ -</u>
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization	L11			
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		3,086	3,080	6
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		(721)	(719)	(1)
39	Operating reserves				
40			-	-	-
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	<u>\$ 2,366</u>	<u>\$ 2,361</u>	<u>\$ 5</u>
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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For the test period ended December 31, 2018
(Dollars in thousands)

NC-1601
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January

Line No.	Description	Total NC Retail
1	<u>Impact to Income Statement:</u>	
2	NC Retail expenses incurred through January 2020	\$ 3,186 [1]
3	NC Retail projected expenses (February 2020 through July 2020)	819 [1]
4	NC Retail rate case expenses total	\$ 4,005
5	Amortization period in years	5
6	Impact to O&M (L4 / L5)	\$ 801
7		
8	Statutory tax rate	23.3503% [2]
9	Impact to income taxes (-L6 x L8)	\$ (187)
10		
11	Impact to operating income (-L6 - L9)	\$ (614)
12		
13	<u>Impact to Rate Base:</u>	
14	Deferral of NC Retail rate case expenses (L4)	4,005
15	Less test year expenses included in 12/31/2018 balance	(118) [1]
16	Less first year of amortization (-L6)	(801)
17	Projected Working Capital after first year of amortization (L15 + L16 + L17)	\$ 3,086
18		
19	Adjustment to Working Capital (L18)	3,086
20		
21	Change in ADIT on Working Capital (-L18 x L8)	\$ (721)

[1] NC-1602 - NC Retail Rate Case Expenses Incurred/Projected Through July 2020

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

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Amortize rate case costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1602
Page 1 of 1
January

NC Retail Rate Case Expenses Incurred/Projected Through July 2020

Account & Descr: 0186195 - DEFERRED RATE CASE EXPENSE
OU & Descr: NCRD - Carolinas Rates - DEC
Process: NCRTCSE

Line No.	Description	Total NC Retail
1	Oct 2018	43,598
2	Nov 2018	41,548
3	Dec 2018	32,424
4	<i>Subtotal 2018 expenses</i>	<u>\$ 117,570</u>
5	Jan 2019	43,637
6	Feb 2019	53,693
7	Mar 2019	127,569
8	Apr 2019	98,599
9	May 2019	125,597
10	Jun 2019	233,563
11	Jul 2019	208,441
12	Aug 2019	256,128
13	Sep 2019	258,356
14	Oct 2019	270,932
15	Nov 2019	535,900
16	Dec 2019	392,571
17	Jan 2019	462,949
18	Actuals Total	<u>\$ 3,185,504</u>
19	<i>Projected expenses through July 2020</i>	<u>819,496 [1]</u>
20	Total NC rate case expenses	<u><u>\$ 4,005,000</u></u>

[1] Duke Energy Carolinas - Rate Case Charges and Projection Summary

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for Merger Related Costs
For the test period ended December 31, 2018

NC-1900
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

September Update

Updated NC-1904 with actuals through September 2019.

October Update

Updated NC-1904 with actuals through October 2019.

November Update

Updated NC-1904 with actuals through November 2019.

December Update

Updated NC-1904 with actuals through December 2019.

Proforma NC-1000 has been updated to reflect balances as of December 2019, therefore NC-1903 has been updated to reflect balances as of December 2019.

January Update

Updated NC-1904 with actuals through January 2020.

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Adjust for Merger Related Costs
For the test period ended December 31, 2018
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NC-1900
Page 1 of 1
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	Pro Formas Impacting Income Statement Line Items				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-1901	(5,530)	(5,530)	-
11	Depreciation and amortization	NC-1901	(48)	(21)	(27)
12	General taxes	NC-1901	(73)	(73)	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1901	1,319	1,313	6
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(4,331)	(4,311)	(21)
18					
19	Operating income	L4 - L17	\$ 4,331	\$ 4,311	\$ 21
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	Pro Formas Impacting Rate Base Line Items				
27					
28	Electric plant in service	NC-1901	\$ (1,206)	\$ -	\$ (1,206)
29	Accumulated depreciation and amortization	NC-1901	338	338	-
30	Electric plant in service, net	Sum L28 through L29	(868)	338	(1,206)
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ (868)	\$ 338	\$ (1,206)
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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NC-1901
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January

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1				
2	Remove Merger Cost to Achieve - A&G	\$ (7,525) [1]	67.7195% [2]	\$ (5,096)
3	Remove Merger Cost to Achieve - Customer Accts	(569) [1]	76.2817% [3]	(434)
4	Impact to O&M (L2 + L3)	<u>\$ (8,094)</u>		<u>\$ (5,530)</u>
5				
6	Remove Depreciation related to Merger Transmission Plant	\$ (91) [4]	52.6634% [5]	\$ (48)
7	Impact to Depreciation and Amortization (L6)	<u>\$ (91)</u>		<u>\$ (48)</u>
8				
9	Remove General Taxes	(108) [1]	67.7195% [2]	\$ (73)
10				
11	Statutory tax rate	23.3503% [6]		23.3503%
12	Impact to income taxes ((-L4 - L7 - L9) x L11)	<u>\$ 1,936</u>		<u>\$ 1,319</u>
13				
14	Impact to operating income (-L4 - L7 - L9 - L12)	<u>\$ 6,356</u>		<u>\$ 4,331</u>
15				
16	<u>Rate Base investment:</u>			
17	Remove Transmission Merger Electric Plant in Service	(2,290) [4]	52.6634% [5]	\$ (1,206)
18	Remove Transmission Merger Accumulated Depreciation	642 [4]	52.6634% [5]	338
19	Impact to Rate Base investment (L17 + L18)	<u>\$ (1,649)</u>		<u>\$ (868)</u>
20				
21	Impact to rate base (L19)	<u>\$ (1,649)</u>		<u>\$ (868)</u>

- [1] NC-1902 - Piedmont Cost to Achieve
[2] Allocation Factor - All Labor
[3] Allocation Factor - All Customer Number
[4] NC-1903 - Progress Cost to Achieve
[5] Allocation Factor - All Transmission Demand
[6] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

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Adjust for Merger Related Costs
For the test period ended December 31, 2018

NC-1902
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January

Piedmont Cost to Achieve

Line No.	Description	Total Carolinas 12/31/2018
1	0903000 - Cust Records and Collection Exp	\$ 568,368
2	0903200 - Cust Billing and Acct	266
3	0920000 - A and G Salaries	1,843,954 a
4	0921100 - Employee Expenses	63,771 a
5	0921200 - Office Expenses	(42,460) a
6	0921400 - Computer Services Expenses	53,866 a
7	0921540 - Computer Rent (Go Only)	40,728 a
8	0921980 - Office Supplies and Expenses	77,022 a
9	0923000 - Outside Services Employed	6,029,784 a
10	0926000 - Empl Pensions and Benefits	484
11	0926600 - Employee Benefits - Transferred	415,586 a
12	0930200 - Misc General Expenses	545 a
13	0930250 - Buy\Sell Transf Employee Homes	45 a
14	0930940 - General Expenses	41
15	0931001 - Rents - AandG	28 a
16	0935100 - Maint General Plant-Elec	178 a
17	Sub-Total O&M (Sum L1 through L16)	\$ 9,052,206
18		
19	Accounts in A&G reimbursement calculation (Sum of a)	\$ 8,483,047 a
20	Catawba reimbursement allocation rate	13.988% [2]
21	Non-ownership percentage in Catawba plant	80.754% [2]
22	Costs reimbursed by Catawba Joint Owners (L19 x L20 x L21)	958,234
23	Total O&M less Catawba reimbursement (L17 - L22)	\$ 8,093,972
24		
25	0408960 - Allocated Payroll Taxes	121,510
26		
27	Catawba reimbursement allocation rate	13.988% [2]
28	Non-ownership percentage in Catawba plant	80.754% [2]
29	Costs reimbursed by Catawba Joint Owners (L25 x L27 x L28)	13,726
30	Total General Taxes less Catawba reimbursement (L25 - L29)	\$ 107,784

[1] Source: Corporate Accounting

[2] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Alloc. \$), 12 ME Dec. 31, 2018, Lines 20 and 24

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Adjust for Merger Related Costs
For the test period ended December 31, 2018

NC-1903
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January

Progress Cost to Achieve Impacts

Line No.	Description	Plant in Service 12/31/2018	Current Rate	Calculated Annual Accrual	Actual 12ME Depr Booked	Difference
1	<u>Impact to Income Statement Line Items</u>					
2	Transmission - Gross Projects	\$ 28,848,828 [1]	2.05% [2]	\$ 590,918	603,770	\$ (12,853)
3	Transmission Expansion Projects (TEP) - Impairment Projects	(14,663,971) [1]	0.00% [2]	(603,770) [2]	(603,770) [2]	-
4	Balance in Plant in Service related to TEP (L2 + L3)	\$ 14,184,857		\$ (12,853)	\$ -	\$ (12,853)
5	Impact of Progress CTA assets to depreciation expense in NC-0802 (L4)					\$ (12,853)
6						
7						
8						
9						
10		Plant in Service 12/31/2018	Current Rate	CURRENT Calculated Annual Accrual	PROPOSED Calculated Annual Accrual	Adjustment Amount
11	Transmission - Gross Projects	\$ 28,848,828 [1]	2.05% [2]	\$ 590,918	2.23% [3]	\$ 643,329
12	Transmission Expansion Projects (TEP) - Impairment Projects	(14,663,971) [1]	0.00%	-	0.00%	-
13	Balance in Plant in Service related to TEP (L11 + L12)	\$ 14,184,857		\$ 590,918	\$ 643,329	\$ 52,411
14	Impact of Progress CTA assets to depreciation expense in NC-2602 (L13)					\$ 52,411
15						
16		Actual Net Change through 1/31/2020			Proposed Rate	Depr. Exp
17						
18						
19						
20	Electric Plant in Service - Balances	\$ 2,290,493 [1]			2.23% [3]	\$ 51,078
21	Impact of Progress CTA assets to depreciation expense in NC-1001 (L20)					\$ 51,078
22						
23	Impact to depreciation and amortization (L5 + L14 + L21)					\$ 90,636
24						
25		Actual Net Change through 1/31/2020				Adjustment Amount
26						
27						
28						
29	<u>Impact to Rate Base Line Items</u>					
30	Electric Plant in Service - Balances	\$ 2,290,493 [1]				#####
31	Impact of Progress CTA assets to electric plant in service in NC-1002 (L30)					#####
32						
33	Impact to electric plant in service (L31)					#####
34						
35	Accumulated Depreciation - Balances	\$ (662,185) [1]				\$ (662,185)
36	Impact of Progress CTA assets to accumulated depreciation in NC-1003 (L35)					\$ (662,185)
37						
38		Actual Plant in Service 1/31/2020	Current Rate	Calculated Annual Accrual	Forecasted 12ME Depr Booked	Difference
39						
40						
41	Transmission - Gross Projects	\$ 28,848,828 [1]	2.05% [2]	\$ 590,918	611,248 [1]	\$ (20,330)
42	Transmission Expansion Projects (TEP) - Impairment Projects	(12,373,478) [1]	0.00% [2]	(611,248)	(611,248) [1]	-
43	Balance in Plant in Service related to TEP (L41 + L42)	\$ 16,475,351		\$ (20,330)	\$ -	\$ (20,330)
44	Impact of Progress CTA assets to accumulated depreciation in NC-1006 (-L43)					\$ 20,330
45						
46	Impact to accumulated depreciation (L36 + L44)					\$ (641,855)
47						
48	Total net plant (L33 + L46)					#####

[1] NC-1904 - Progress Cost to Achieve - Monthly Amounts
[2] NC-0802 - Adjustment to Annualize Depreciation Expense at Dec. 31, 2018
[3] NC-2602 - Comparison of Current and Proposed Depreciation as of December 31, 2018
[4] Electric plant in service and accumulated depreciation balances at 12/31/2018 related to the Transmission Expansion Projects are excluded in COSS in lines 350-359 TRNSM PLANT-MITIGATION-EXCL and 108-111 AD-TRNSM-MITIGATION-EXCL

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for Merger Related Costs
For the test period ended December 31, 2018

NC-1904
Page 1 of 1
January

Progress Cost to Achieve - Monthly Amounts

Line No.	Description	ACTUALS [1]														Net Change o = n - a
		Dec 2018 a	Jan 2019 b	Feb 2019 c	Mar 2019 d	Apr 2019 e	May 2019 f	Jun 2019 g	Jul 2019 h	Aug 2019 i	Sep 2019 j	Oct 2019 k	Nov 2019 l	Dec 2019 m	Jan 2020 n	
2	<u>Electric Plant in Service - Balances</u>															
3	Transmission - Gross Projects	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ -
4	Transmission Expansion Projects (TEP) - Impairment Projects	(14,663,971)	(14,487,744)	(14,311,517)	(14,135,290)	(13,959,063)	(13,782,836)	(13,606,610)	(13,430,383)	(13,254,156)	(13,077,929)	(12,901,702)	(12,725,475)	(12,549,248)	(12,373,478)	2,290,493
5	Balance in Plant in Service related to Transmission Expansion Projects (TE	\$ 14,184,857	\$ 14,361,084	\$ 14,537,311	\$ 14,713,538	\$ 14,889,765	\$ 15,065,992	\$ 15,242,219	\$ 15,418,446	\$ 15,594,672	\$ 15,770,899	\$ 15,947,126	\$ 16,123,353	\$ 16,299,580	\$ 16,475,351	\$ 2,290,493
6																
7	<u>Accumulated Depreciation - Balances</u>															
8	Accumulated Depreciation related to Transmission Expansion Projects (TE	\$ (2,783,171)	\$ (2,834,109)	\$ (2,885,046)	\$ (2,935,983)	\$ (2,986,920)	\$ (3,037,858)	\$ (3,088,795)	\$ (3,139,732)	\$ (3,190,670)	\$ (3,241,607)	\$ (3,292,544)	\$ (3,343,482)	\$ (3,394,419)	\$ (3,445,356)	\$ (662,185)
9																
10	<u>Depreciation Expense - Activity</u>															
11	Depreciation Expense on Gross Projects	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937
12	Amortization of Impairment	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)
13	Depreciation Expense related to Transmission Expansion Projects (TEP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

[2] Forecasted Plant in Service amounts provided by Duke Energy Carolinas - Franchised Electric & Gas Planning and Forecasting

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize Severance Costs
For the test period ended December 31, 2018

NC-2000
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expenses and income taxes to remove atypical severance and retention costs included in the test period and to amortize the atypical severance costs over three years.

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

September Update

Updated the date on NC-2002 and confirmed there have been no true-ups related to the 2018 severance as of September 30, 2019.

October Update

Updated the date on NC-2002 and confirmed there have been no true-ups related to the 2018 severance as of October 31, 2019.

November Update

Revised 12/31/2018 amounts on NC-2002 based on updated atypical severance costs identified in PS DR 8
Updated the date on NC-2002 and confirmed there have been no true-ups related to the 2018 severance as of November 30, 2019.

December Update

Updated 12/31/2019 amounts on NC-2002 based on the actual payouts made as of December 31, 2019 related to the 2018 atypical severance costs.

January Update

Updated 1/31/2020 amounts on NC-2002 based on the actual payouts made as of January 31, 2020 related to the 2018 atypical severance costs.

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize Severance Costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2000
Page 1 of 1
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-2001	(47,462)	(46,208)	(1,255)
11	Depreciation and amortization				
12	General taxes		-	-	-
13	Interest on customer deposits				
14	Income taxes	NC-2001	11,083	10,790	293
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(36,380)	(35,418)	(962)
18					
19	Operating income	L4 - L17	\$ 36,380	\$ 35,418	\$ 962
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment	NC-2001	43,370	46,113	(2,743)
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes	NC-2001	(10,127)	(10,767)	640
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ 33,243	\$ 35,345	\$ (2,102)
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize Severance Costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2001
Page 1 of 1
January

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1				
2	Remove actual severance costs in 2018	\$ (102,108) [1]	67.7195% [3]	\$ (69,147)
3	Annual amortization related to severance costs	32,022 [2]	67.7195% [3]	21,685
4	Impact to O&M (L2 + L3)	<u>\$ (70,087)</u>		<u>\$ (47,462)</u>
5				
6	Statutory tax rate	23.3503% [4]		23.3503% [4]
7	Impact to income taxes (-L4 x L6)	<u>\$ 16,365</u>		<u>\$ 11,083</u>
8				
9	Impact to operating income (-L4 - L7)	<u>\$ 53,721</u>		<u>\$ 36,380</u>
10				
11	<u>Working capital investment:</u>			
12	Establish a regulatory asset for severance costs	96,065 [1]	67.7195% [3]	\$ 65,055
13	Less first year of amortization (-L3)	<u>(32,022)</u>	67.7195% [3]	<u>(21,685)</u>
14	Impact to working capital investment (L12 + L13)	<u>\$ 64,043</u>		<u>\$ 43,370</u>
15				
16	Statutory tax rate	23.3503% [4]		23.3503% [4]
17	Impact to accumulated deferred income tax (-L14 x L16)	<u>\$ (14,954)</u>		<u>\$ (10,127)</u>
18				
19	Impact to rate base (L14+L17)	<u>\$ 49,089</u>		<u>\$ 33,243</u>

[1] NC 2002 - Adjustment to remove severance and retention costs, Line 11

[2] NC 2002 - Adjustment to amortize severance and retention costs, Line 15

[3] Allocation Factor - All Labor

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

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize Severance Costs
For the test period ended December 31, 2018

NC-2002
Page 1 of 1
January

Adjustment to amortize severance costs

Line No.	Description	Total Carolinas 12/31/2018		Total Carolinas 1/31/2020 [2]	
1	Atypical severance costs related to 2018 - DEC [4]	\$ 97,677,590	[1]	\$ 93,062,147	[1]
2	Atypical severance costs related to 2018 - Allocated from DEBS [4]	17,275,366	[1]	15,235,927	[1]
3	Total atypical severance costs related to 2018 (L1 + L2)	\$ 114,952,955		\$ 108,298,074	
4					
5	Atypical retention costs related to 2018 [4]	158,193	[1]		[3]
6					
7	Amounts in A&G reimbursement calculation (L3 + L5)	115,111,149		108,298,074	
8	Catawba reimbursement allocation rate	13.9880%	[5]	13.9880%	[5]
9	Non-ownership percentage in Catawba plan	80.7540%	[5]	80.7540%	[5]
10	Costs reimbursed by Catawba Joint Owners (L7 x L8 x L9)	13,002,805		12,233,209	
11	Total less Catawba reimbursement (L7 - L10)	\$ 102,108,344		\$ 96,064,865	
12					
13	Years to amortize costs			3	
14					
15	Annual amortization related to severance costs (L11/L13)			32,021,622	

[1] Information provided by Duke Energy Corporate Accounting

[2] Actual payouts made as of January 31, 2020 related to the 2018 atypical severance costs. Approximately 41 employees who elected to participate in the 2018 severance plan have a termination date still to be determined.

[3] Atypical retention in 2018 related to the Tax Department transition to Ernst and Young. Removing to normalize the test year.

[4] Atypical severance and retention costs were booked to account 0920000 - A & G Salaries

[5] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Alloc. \$), 12 ME Dec. 31, 2018, Lines 20 and 24

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018

NC-2200
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to income taxes is determined as follows:

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

January Update

Recalculated based on December updated figures

I/A

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2200
Page 1 of 1
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	Pro Formas Impacting Income Statement Line Items				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense		-	-	-
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-2201	(4,839)	(2,580)	(2,259)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(4,839)	(2,580)	(2,259)
18					
19	Operating income	L4 - L17	\$ 4,839	\$ 2,580	\$ 2,259
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	Pro Formas Impacting Rate Base Line Items				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2201
Page 1 of 1
January

Line No.	Description	Total Carolinas Col [a]	NC Retail Allocation Col [b]	Total NC Retail Col [c]
1				
2	Rate base before pro forma adjustments	\$ 21,361,527 [1]	68.1442% [2]	\$ 14,556,650 [1]
3				
4	Pro forma rate base	\$ 23,394,366 [3]		\$ 15,941,904 [7]
5				
6	Long-term debt ratio	47.0000% [4]		47.0000% [4]
7	Calculated long-term debt (L4 x L6)	\$ 10,995,352		\$ 7,492,695
8				
9	End of year cost of long-term debt	4.5100% [4]		4.5100% [4]
10	Annualized interest expense (L7 x L9)	\$ 495,890		\$ 337,921
11				
12	Incurred interest expense	465,481 [5]		317,199 [5]
13	Increase / <decrease> to interest costs (L10 - L12)	\$ 30,409		\$ 20,722
14				
15	Statutory tax rate	23.3503% [6]		23.3503% [6]
16	Impact to income taxes (-L13 x L15)	\$ (7,101)		\$ (4,839)
17				
18	Impact to operating income (-L16)	\$ 7,101		\$ 4,839

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

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

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

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

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

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

[7] McManeus Exhibit 1, Page 1, Line 12 Less Detail of Accounting Adjustments Page 3, line 23 Rate base

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

NC-2300
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

Updated NC-2303 Summary based on revised E&Y Lead Lag Study

Updated NC-2302 Lead Lag days based on revised E&Y study.

January Update

Recalculated based on January updated figures

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2300
Page 1 of 1
January

Line No.	Description	Source	Present Total NC Retail January	Proposed Total NC Retail January	Present Total NC Retail Application	Proposed Total NC Retail Application	Present Total NC Retail Change	Proposed Total NC Retail Change
1								
2	Pro Formas Impacting Income Statement Line Items							
3								
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5								
6	Electric operating expenses:							
7	Operation and maintenance							
8	Fuel used in electric generation		-	-	-	-	-	-
9	Purchased power		-	-	-	-	-	-
10	Other operation and maintenance expense		-	-	-	-	-	-
11	Depreciation and amortization		-	-	-	-	-	-
12	General taxes		-	-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-	-
14	Income taxes	NC-2301 &	63	(247)	103	(237)	(40)	(10)
15	Amortization of investment tax credit		-	-	-	-	-	-
16								
17	Total electric operating expenses	Sum L8 through L15	63	(247)	103	(237)	(40)	(10)
18								
19	Operating income	L4 - L17	\$ (63)	\$ 247	\$ (103)	\$ 237	\$ 40	\$ 10
20								
21	Notes:							
22	Revenue: positive number increases revenue / negative number decreases revenue							
23	Expense: positive number increases expense / negative number decreases expense							
24								
25								
26	Pro Formas Impacting Rate Base Line Items							
27								
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization							
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-	-
31								
32	Add:							
33	Materials and supplies		-	-	-	-	-	-
34	Working capital investment-Present	NC-2301 &	(12,652)	49,888	(20,794)	47,878	8,142	2,009
35			-	-	-	-	-	-
36								
37	Less:							
38	Accumulated deferred taxes		-	-	-	-	-	-
39	Operating reserves		-	-	-	-	-	-
40								
41								
42	Construction work in progress		-	-	-	-	-	-
43								
44	Total impact to rate base	Sum L30 through L42	\$ (12,652)	\$ 49,888	\$ (20,794)	\$ 47,878	\$ 8,142	\$ 2,009
45								
46	Note:							
47	Rate Base: positive number increases rate base / negative number decreases rate base							

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Page 1 of 2
January

Dollars in Thousands

		NC Retail		NC Retail		NC Retail		NC Retail		NC Retail	
		Financials		Iteration 1		Iteration 2		Iteration 2		Iteration 2	
Line No.	Description	Adjusted with CWC (a)	Revenue Increase (b)=(c)-(a)	Adjusted w/Increase (c)=(n)	Increase (d)=(e)-(a)	With Increase (e)=(a)+(d)	Wgt Lead Lag Days (f)	Increase (g)=(h)-(e)	With Increase (h)=(e)+(g)	Wgt Lead Lag Days (i)	
1	Total Adjusted Revenue	4,799,676 [1]					38.81 [1]			38.81 [1]	
2	Revenue Increase (L3)		464,584		459,956		39.58 [12]	4,605		39.58 [12]	
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	4,799,676	464,584	5,264,260	459,956	5,259,632	38.88 [13]	4,605	5,264,237	38.88 [13]	
4											
5	Total Adjusted Fuel Used in Electric Generation	1,164,655 [1]	0	1,164,655		1,164,655	22.33 [1]		1,164,655	22.33 [1]	
6	Total Adjusted Purchased Power	23,412 [1]	0	23,412		23,412	39.00 [1]		23,412	39.00 [1]	
7											
8	Total Adjusted Operation & Maintenance Expense	1,163,244 [1]					33.70 [1]			33.70 [1]	
9	Revenue Increase (L10)		1,764		1,747		33.90 [12]	17		33.90 [12]	
10	Operation and Maintenance Expense with Increase (L8 + L9)	1,163,244	1,764	1,165,008	1,747 [5]	1,164,991	33.70 [13]	17 [5]	1,165,008	33.70 [13]	
11											
12	Total Adjusted Depreciation and Amortization	1,210,035 [1]	0	1,210,035		1,210,035	- [1]		1,210,035	- [1]	
13	Total Adjusted General Taxes	209,653 [1]	0	209,653		209,653	169.16 [1]		209,653	169.16 [1]	
14	Total Adjusted Interest on Customer Deposits	7,130 [1]	0	7,130		7,130	218.39 [1]		7,130	218.39 [1]	
15											
16	Total Adjusted Net Income Taxes	168,369 [1]					0.43 [1]			0.43 [1]	
17	Revenue Increase (L18)		107,823		106,993		0.48 [12]	825		0.48 [12]	
18	Income Taxes with Increase (L16 + L17)	168,369	107,823	276,192	106,993 [7]	275,362	0.45 [13]	825 [7]	276,187	0.45 [13]	
19											
20	Total Adjusted Amortization of Investment Tax Credit	(2,836) [1]	0	(2,836)		(2,836)	- [1]		(2,836)	- [1]	
21	Total Operating Expense (L5+L6+L10+L12+L13+L14+L18+L20)	3,943,662	109,587	4,053,249	108,740	4,052,402	25 [14]	843	4,053,245	25 [14]	
22											
23	Income for Return (L3 - L21)	856,014	354,997	1,211,011	351,216	1,207,230 [8]	23.83 [14]	3,762	1,210,992 [8]	23.83 [14]	
24	Interest Expense	337,652 [1]	1,057	338,710	0	337,652 [9]	85.20 [1]	1,052	338,704 [9]	85.20 [1]	
25	Return for Equity (L23 - L24)	518,362	353,940	872,301	351,216	869,578	- [1]	2,710	872,287	- [1]	
26											
27	Total Requirement (L21 + L23 = L3)	4,799,676		5,264,260		5,259,632	25.11 [14]		5,264,237	25.11 [14]	
28	Rate Base [CWC Solved for Through Iterative Process]	15,929,252 [1]	49,888	15,979,140		15,929,252 [10]		49,635 [15]	15,978,887		
29											
30	Overall Rate of Return (L23 / L28)	5.37%		7.58%		7.58%			7.5787%		
31	Target Rate of Return	7.58% [2]		7.58% [2]		7.58% [2]			7.5787% [2]		
32											
33	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Rev Incr	Adj w/Incr							
34	Annual Requirement (L3 and/or L27)	4,799,676		5,264,260		5,259,632			5,264,236.63		
35	Daily Requirement (L34 / 365 Days)	13,150		14,423		14,410			14,423		
36	Net Lag Days (Column (c) only: L37 / L35)	11.31 [1]		13.77		13.76 [11]			13.77 [11]		
37	Est. CWC Req. Before Sales Tax Requirement (L35 x L36)	148,712	49,888 [3]	198,600 [4]	49,635	198,348		251	198,599		
38	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]							
39	Total Cash Working Capital Requirements (L37 + L38)	154,916	49,888	204,804							

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)

[2] NC-2304-Inputs, Total ROR

[3] Ties to Line 28, Column (b)

[4] Sum of Line 37, Columns (a) + (d) + (g) + (j)

[5] Sum of (L18 + L23) x Reg Fee and Uncollectibles Rate: 0.37977%

[7] L25 / (1 - Tax Rate: 23.3503%) - L25

[8] Line 28 x Rate of Return: 7.5787%

[9] Line 28 x Debt Rate: 4.51% and Debt Ratio: 47%

[10] Column (e) = Column (a)

[11] Line 3, Column (f), (i), (l) - Line 27, Column (f), (i), (l)

[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag

[13] Calculation of Average Lead/Lag Day

[14] New weighted averages are calculated.

[15] Line 37, Columns (d), (g), (j)

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		NC Retail			NC Retail		
		Iteration 3			Iteration 4		
Line No.	Description	Increase (j)=(k)-(h)	With Increase (k)=(h)+(j)	Wgt Lead Lag Days (l)	Increase (m)=(n)-(k)	With Increase (n)=(k)+(m)	Wgt Lead Lag Days (o)
1	Total Adjusted Revenue			38.81 [1]			38.81 [1]
2	Revenue Increase (L3)	23		39.58 [12]	0		39.58 [12]
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	23	5,264,260	38.88 [13]	0	5,264,260	38.88 [13]
4							
5	Total Adjusted Fuel Used in Electric Generation		1,164,655	22.33 [1]		1,164,655	22.33 [1]
6	Total Adjusted Purchased Power		23,412	39.00 [1]		23,412	39.00 [1]
7							
8	Total Adjusted Operation & Maintenance Expense			33.70 [1]			33.70 [1]
9	Revenue Increase (L10)	0		33.90 [12]	0		33.90 [12]
10	Operation and Maintenance Expense with Increase (L8 + L9)	0 [5]	1,165,008	33.70 [13]	0 [5]	1,165,008	33.70 [13]
11							
12	Total Adjusted Depreciation and Amortization		1,210,035	- [1]		1,210,035	- [1]
13	Total Adjusted General Taxes		209,653	169.16 [1]		209,653	169.16 [1]
14	Total Adjusted Interest on Customer Deposits		7,130	218.39 [1]		7,130	218.39 [1]
15							
16	Total Adjusted Net Income Taxes			0.43 [1]			0.43 [1]
17	Revenue Increase (L18)	4		0.48 [12]	0		0.48 [12]
18	Income Taxes with Increase (L16 + L17)	4 [7]	276,192	0.45 [13]	0 [7]	276,192	0.45 [13]
19							
20	Total Adjusted Amortization of Investment Tax Credit		(2,836)	- [1]		(2,836)	- [1]
21	Total Operating Expense (L5+L6+L10+L12+L13+L14+L18+L20)	4	4,053,249	25 [14]	0	4,053,249	25 [14]
22							
23	Income for Return (L3 - L21)	19	1,211,011 [8]	23.83 [14]	0	1,211,011 [8]	23.83 [14]
24	Interest Expense	5	338,710 [9]	85.20 [1]	0	338,710 [9]	85.20 [1]
25	Return for Equity (L23 - L24)	14	872,301	- [1]	0	872,301	- [1]
26							
27	Total Requirement (L21 + L23 = L3)		5,264,260	25.11 [14]		5,264,260	25.11 [14]
28	Rate Base [CWC Solved for Through Iterative Process]	251 [15]	15,979,138		1 [15]	15,979,140	
29							
30	Overall Rate of Return (L23 / L28)		7.5787%			7.5787%	
31	Target Rate of Return		7.5787% [2]			7.5787% [2]	
32							
33	<u>Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase</u>						
34	Annual Requirement (L3 and/or L27)		5,264,260				
35	Daily Requirement (L34 / 365 Days)		14,423				
36	Net Lag Days (Column (c) only: L37 / L35)		13.77 [11]				
37	Est. CWC Req. Before Sales Tax Requirement (L35 x L36)	1	198,600				
38	Add: Working Capital Related to NC Sales Tax						
39	Total Cash Working Capital Requirements (L37 + L38)						

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)
[2] NC-2304-Inputs, Total ROR
[3] Ties to Line 28, Column (b)
[4] Sum of Line 37, Columns (a) + (d) + (g) + (j)
[5] Sum of (L18 + L23) x Reg Fee and Uncollectibles Rate: 0.37977%
[7] L25 / (1 - Tax Rate: 23.3503%) - L25
[8] Line 28 x Rate of Return: 7.5787%
[9] Line 28 x Debt Rate: 4.51% and Debt Ratio: 47%
[10] Column (e) = Column (a)
[11] Line 3, Column (f), (i), (l) - Line 27, Column (f), (i), (l)
[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag
[13] Calculation of Average Lead/Lag Day
[14] New weighted averages are calculated.
[15] Line 37, Columns (d), (g), (j)

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Cash Working Capital for Present Revenue

		NC Retail							
		Financials					Lead Lag Days		
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)
1	Revenue	4,904,084 [1]	(104,408)	4,799,676			40.09 [1]		40.09
2									
3	Rate Schedule Revenue								
4	PF REV-Annualize retail revenues for current rates		(110,407) [3]	(110,407)				39.58 [2]	39.58
5	PF REV-Normalize for weather		(101,737) [3]	(101,737)				39.58 [2]	39.58
6	PF REV-Annualize revenues for customer growth		40,365 [3]	40,365				39.58 [2]	39.58
7	PF REV-Eliminate unbilled revenues		26,204 [3]	26,204				39.58 [2]	39.58
8	PF REV-Adjust for costs recovered through non-fuel riders		50,669 [3]	50,669				0.00 [2]	0.00
9	PF REV-Adjust Other Revenue		(9,502) [3]	(9,502)				40.09 [2]	40.09
10	Rounding - Revenue		0	0				40.09 [2]	40.09
11	Revenue - Adjustments (Sum Lines 4 through 10)	0	(104,408)	(104,408)					
12									
13	Total Adjusted Revenue (L1 + L11)	4,904,084	(104,408) [4]	4,799,676 [3]	0	4,799,676	40.09 [8]	(1.28) [9]	38.81 [8]
14									
15	Operating Expenses:								
16	Fuel Used in Electric Generation	989,374 [2]		989,374			22.33 [2]		22.33
17	PF FUEL-Normalize for weather		(25,904) [3]	(25,904)				22.33 [2]	22.33
18	PF FUEL-Annualize revenues for customer growth		8,942 [3]	8,942				22.33 [2]	22.33
19	PF FUEL-Update fuel costs to proposed rate		209,105 [3]	209,105				22.33 [2]	22.33
20	PF FUEL-Adjust for costs recovered through non-fuel riders		(16,862) [3]	(16,862)				22.33 [2]	22.33
21	Rounding - Fuel		0	0				22.33 [2]	22.33
22	Fuel Used in Electric Generation - Adjustments (Sum Lines 17:21)	0	175,281	175,281					
23									
24	Total Adjusted Fuel Used in Electric Generation (L16 + L22)	989,374	175,281 [4]	1,164,655 [3]	0	1,164,655	22.33 [8]	0.00 [9]	22.33 [8]
25									
26	Purchased Power	194,348 [2]		194,348			39.00 [2]		39.00
27	PF PURCH POWER-Update fuel costs to proposed rate		(169,854) [3]	(169,854)				39.00 [2]	39.00
28	PF PURCH POWER-Adjust for costs recovered through non-fuel riders		(1,082) [3]	(1,082)				39.00 [2]	39.00
29	Rounding - Purchased Power		0	0					
30	Purchased Power - Adjustments (Sum Lines 27 through 29)	0	(170,936)	(170,936)					
31									
32	Total Adjusted Purchased Power (L26 + L30)	194,348	(170,936) [4]	23,412 [3]	0	23,412	39.00 [8]	(0.00) [9]	39.00 [8]
33									
34	Operation & Maintenance Expense	1,375,939 [2]		1,375,939		O&M Excl Fuel & PP	33.90 [2]		33.90
35	PF O&M-Annualize retail revenues for current rates		(826) [3]	(826)		O&M Excl Fuel & PP	33.90 [2]		33.90
36	PF O&M-Normalize for weather		(386) [3]	(386)		O&M Excl Fuel & PP	33.90 [2]		33.90
37	PF O&M-Annualize revenues for customer growth		153 [3]	153		O&M Excl Fuel & PP	33.90 [2]		33.90
38	PF O&M-Update fuel costs to proposed rate		(21,892) [3]	(21,892)		O&M Excl Fuel & PP	33.90 [2]		33.90
39	PF O&M-Adjust for costs recovered through non-fuel riders		(117,372) [3]	(117,372)		O&M Excl Fuel & PP	33.90 [2]		33.90
40	PF O&M-Adjust for approved regulatory assets and liabilities		1,408 [3]	1,408		Amortization	0.00 [2]		0.00
41	PF O&M-Amortize Severance Costs		(47,462) [3]	(47,462)		Labor	36.37 [2]		36.37
42	PF O&M-Adjust for credit card fees		9,022 [3]	9,022		Remaining O&M	36.49 [2]		36.49
43	PF O&M-Annualize O&M non-labor expenses		2,631 [3]	2,631		Total O&M	30.71 [2]		30.71
44	PF O&M-Normalize O&M labor expenses		(28,093) [3]	(28,093)		Labor	36.37 [2]		36.37
45	PF O&M-Update benefits costs		(1,433) [3]	(1,433)		Benefits	12.21 [2]		12.21
46	PF O&M-Levelize nuclear refueling outage costs		(1,946) [3]	(1,946)		Remaining O&M	36.49 [2]		36.49
47	PF O&M-Amortize rate case costs		801 [3]	801		Amortization	0.00 [2]		0.00
48	PF O&M-Adjust aviation expenses		(1,986) [3]	(1,986)		O&M Excl Fuel & PP	33.90 [2]		33.90
49	PF O&M-Adjust for Meger Related Costs		(5,530) [3]	(5,530)		O&M Excl Fuel & PP	33.90 [2]		33.90
50	PF O&M-Adjust O&M for executive compensation		(3,301) [3]	(3,301)		Labor	36.37 [2]		36.37
51	PF O&M-Adjust vegetation management expenses		7,739 [3]	7,739		Remaining O&M	36.49 [2]		36.49
52	PF O&M-Adjust Other Revenue		(36) [3]	(36)		O&M Excl Fuel & PP	33.90 [2]		33.90
53	PF O&M-Adjust for change in NCUC regulatory fee-DEC		(500) [3]	(500)		Regulatory Commission Expense	89.82 [2]		89.82
54	PF O&M-Adjust for Hydro Stations Sale		(1,560) [3]	(1,560)		O&M Excl Fuel & PP	33.90 [2]		33.90
55	Rounding - O&M		(2,126)	(2,126)		Total O&M	30.71 [2]		30.71
56	Operation & Maintenance Expense - Adjustments (Sum Lines 35:55)	0	(212,695)	(212,695)					
57									

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For the test period ended December 31, 2018
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Cash Working Capital for Present Revenue

		NC Retail							
		Financials				Lead Lag Days			
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)
58	Total Adjusted Operation & Maintenance Expense (L34 + L56)	1,375,939	(212,695) [4]	1,163,244 [3]	0	1,163,244	33.90 [8]	(0.20) [9]	33.70 [8]
59									
60	Depreciation and Amortization	838,805 [1]		838,805			0.00 [1]		0.00
61	PF D&A-Adjust for costs recovered through non-fuel riders		(3,045) [3]	(3,045)				0.00 [2]	0.00
62	PF D&A-Annualize depreciation on year end plant balances		59,052 [3]	59,052				0.00 [2]	0.00
63	PF D&A-Adjust Depreciation for new rates		72,915 [3]	72,915				0.00 [2]	0.00
64	PF D&A-Adjust for post test year additions to plant in service		61,010 [3]	61,010				0.00 [2]	0.00
65	PF D&A-Update fuel costs to proposed rate		0 [3]	0				0.00 [2]	0.00
66	PF D&A-Adjust reserve for end of life coal plant inventory		0 [3]	0				0.00 [2]	0.00
67	PF D&A-Adjust reserve for end of life nuclear costs		(1,808) [3]	(1,808)				0.00 [2]	0.00
68	PF D&A-Adjust for approved regulatory assets and liabilities		62,706 [3]	62,706				0.00 [2]	0.00
69	PF D&A-Amortize deferred environmental costs		93,944 [3]	93,944				0.00 [2]	0.00
70	PF D&A-Adjust for Meger Related Costs		(48) [3]	(48)				0.00 [2]	0.00
71	PF D&A-Update deferred balance and amortize storm costs		24,696 [3]	24,696				0.00 [2]	0.00
72	PF D&A-Adjust for Hydro Stations Sale		1,809 [3]	1,809				0.00 [2]	0.00
73	Rounding - D&A		(0)	(0)				0.00 [2]	0.00
74	Depreciation and Amortization - Adjustments (Sum Lines 61 through 73)	0	371,230	371,230					
75									
76	Total Adjusted Depreciation and Amortization (L60 + L74)	838,805	371,230 [4]	1,210,035 [3]	0	1,210,035	0.00 [8]	0.00 [9]	0.00 [8]
77									
78	General Taxes	194,681 [1]		194,681			168.11 [1]		168.11
79	PF GEN TAX-Annualize property taxes on year end plant balances		7,470 [3]	7,470				168.11 [2]	168.11
80	PF GEN TAX-Adjust for post test year additions to plant in service		9,257 [3]	9,257				168.11 [2]	168.11
81	PF GEN TAX-Adjust for approved regulatory assets and liabilities		56 [3]	56				168.11 [2]	168.11
82	PF GEN TAX-Normalize O&M labor expenses		(1,507) [3]	(1,507)				51.17 [2]	51.17
83	PF GEN TAX-Adjust for costs recovered through non-fuel riders		(10) [3]	(10)				168.11 [2]	168.11
84	PF GEN TAX-Adjust for Meger Related Costs		(73) [3]	(73)				51.17 [2]	51.17
85	PF GEN TAX-Adjust aviation expenses		(27) [3]	(27)				51.17 [2]	51.17
86	PF GEN TAX-Adjust for Hydro Stations Sale		(193) [3]	(193)					
87	Rounding - General Taxes		(0)	(0)				168.11 [2]	168.11
88	General Taxes - Adjustments (Sum Lines 79 through 87)	0	14,972	14,972					
89									
90	Total Adjusted General Tax (L78 + L88)	194,681	14,972 [4]	209,653 [3]	0	209,653	168.11 [8]	1.05 [9]	169.16 [8]
91									
92	Interest on Customer Deposits	7,130 [1]		7,130			218.40 [1]		218.40
93	Interest on Customer Deposits - Adjustments			0					
94									
95	Total Adjusted Interest on Customer Deposits (L92 + L93)	7,130	0 [4]	7,130 [3]	0	7,130	218.40 [8]	(0.01) [9]	218.39 [8]
96									
97	Income Taxes	224,997 [1]		224,997			0.48 [1]		0.48
98	PF INC TAX-Adjust Income Taxes		(65,909) [3]	(65,909)				0.48 [2]	0.48
99	PF INC TAX-Adjust for costs recovered through non-fuel riders		16,763 [3]	16,763				0.00 [2]	0.00
100	PF INC TAX-Adjust NC income taxes for rate change		(2,707) [3]	(2,707)				0.48 [2]	0.48
101	PF INC TAX-Synchronize interest expense with end of period rate base		(4,839) [3]	(4,839)				0.48 [2]	0.48
102	Rounding - Income Taxes		(0)	(0)				0.48 [2]	0.48
103	Income Taxes - Adjustments (Sum Lines 98 through 102)	0	(56,691)	(56,691)					
104									
105	Total Adjusted Income Taxes (L97 + L103)	224,997	(56,691) [4]	168,306 [3]	63 [6]	168,369	0.48 [8]	(0.05) [9]	0.43 [8]
106									
107	Amortization of Investment Tax Credit	(3,526) [1]		(3,526)			0.00 [1]		0.00
108	PF ITC-Annualize depreciation on year end plant balances		690 [3]	690				0.00 [2]	0.00
109	Rounding - ITC		(0)	(0)				0.00 [2]	0.00
110	Amort. of Investment Tax Credit - Adjustments (Sum Lines 108:109)	0	690	690					
111									
112	Total Adjusted Amortization of Investment Tax Credit (L107 + L110)	(3,526)	690 [4]	(2,836) [3]	0	(2,836)	0.00 [8]	0.00 [9]	0.00 [8]
113									
114	Total Operating Expense (L24+L32+L58+L76+L90+L95+L105+L112)	3,821,748	121,851	3,943,599	63	3,943,662	28.97 [8]	(2.79) [9]	26.17 [8]

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For the test period ended December 31, 2018
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Cash Working Capital for Present Revenue

		NC Retail							
		Financials				Lead Lag Days			
<u>Line No.</u>	<u>Description</u>	<u>Per Books</u> (a)	<u>Adjustments</u> (b)	<u>Adjusted Before Change in CWC</u> (c)=(a)+(b)	<u>Change in CWC</u> (d)	<u>Adjusted with CWC</u> (e)=(c)+(d)	<u>Per Books</u> (f)	<u>Adjustments</u> (g)	<u>Adjusted Before Increase</u> (h)=(f)+(g)
115									
116	Income for Return (L13 - L114)	1,082,336	(226,259)	856,077	(63)	856,014	24.97 [8]	8.66 [9]	33.63 [8]
117	Interest Expense	317,199 [2]	20,722 [4]	337,921 [5]	(268) [5]	337,652	85.20 [2]	0.00 [9]	85.20 [2]
118	Return for Equity (L116 - L117)	765,137	(246,981)	518,156	205	518,362	0.00 [2]	0.00 [9]	0.00 [2]
119									
120	Total Requirement (L114 + L116 = L13)	4,904,084		4,799,676		4,799,676	28.08 [8]	(0.58) [9]	27.50 [8]
121									
122	RATE BASE	14,556,650 [3]	1,385,254 [4]	15,941,904 [3]	(12,652) [7]	15,929,252			
123									
124	Overall Rate of Return (L116 / L122)	7.44%		5.37%		5.37%			
125									
126			Change						
127	Calculation of Change in Cash Working Capital (CWC) due to Adjustments	Per Books	in CWC	Adjusted					
128	Revenue Lag Days (Per Line 13, Columns (f) & (h))	40.09		38.81					
129	Requirement Lead Days (Per Line 120, Columns (f) & (h))	28.08		27.50					
130									
131	Net Lag Days (L128 - L129)	12.01		11.31					
132									
133	Annual Requirement (L120)	4,904,084		4,799,676					
134	Daily Requirement (L133 / 365 Days)	13,436		13,150					
135	Net Lag Days (L131, Rounded Per Books)	12.01		11.31					
136	Est. CWC Req. Before Sales Tax Requirement (L134 x L135)	161,365		148,712					
137									
138	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]					
139									
140	Total Cash Working Capital Requirements (L136 + L138)	167,569	(12,652) [4]	154,916					

Notes:
[1] Columns (a) and (f) match Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Summary
[2] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Study
[3] Exhibit C in Docket E-7, Sub 1214
[4] Column (b) = Column (c) - Column (a)
[5] Line 122 x Debt Rate: 4.51% and Debt Ratio: 47%
[6] Interest Expense: - L117 x Tax Rate: 23.3503%
[7] Line 140, Column (b)
[8] New weighted averages calculated.
[9] Column (g) = Column (h) - Column (f)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

NC-2303
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January

E-1 Item 14

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

Line No	Description	Actual Annual Expense [A]	Lead (Lag) Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag		40.09	
2				
3	Operation & Maintenance Expense	\$ 2,559,661	30.71	\$ 78,598,072
4	Depreciation and Amortization	838,805	0.000	-
5	Taxes Other Than Income Taxes	194,681	168.11	32,727,032
6	Interest on Customer Deposits	7,130	218.40	1,557,121
7	Net Income Taxes	224,997	0.48	107,266
8	ITC	(3,526)	0.00	-
9	Income for Return	1,082,336	24.97	27,025,317
10	Total Requirements (Sum L3 through L9)	<u>\$ 4,904,084</u>	28.55	<u>\$ 140,014,807</u>
11				
12	Revenue Lag Days (L1)		40.09	
13	Requirements Lead Days (-L10)		-28.55	
14	Net Lag Days (L12 + L13)		<u>11.54</u>	
15	Daily Requirements (Line 10, Col. A divided by 365)			\$ 13,436
16				
17	Estimated Cash Working Capital Requirements (L14 x L15)			\$ 155,064
18	Add: Cash Working Capital Related to NC Sales Tax			6,204
19	Total Cash Working Capital Requirements (L17 + L18)			<u>\$ 161,268</u>
20				
21	Calculation of Total Company and Jurisdictional Amounts:			
22	NC Retail Factor "All - Rate Base x CWC" Allocation Factor			68.1442%
23				
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 236,657
25				
26	NC Retail Factor			68.1442%
27	SC Retail Factor			23.4945%
28	NC Wholesale Factor			4.6385%
29	SC Wholesale Factor			3.6759%
30	Other			0.0469%
31	Total (Sum L26 through L29)			<u>100.0000%</u>
32				
33	NC Retail Cash Working Capital Requirement (L24 x L26)			\$ 161,267.787
34	SC Retail Cash Working Capital Requirement (L24 x L27)			55,601.207
35	NC Wholesale Cash Working Capital Requirement (L24 x L28)			10,977.210
36	SC Wholesale Cash Working Capital Requirement (L24 x L29)			8,699.225
37	Other Cash Working Capital Requirement (L25 x L30)			111.093
38	Total Company Cash Working Capital Requirement (Sum L33 through L37)			<u>\$ 236,656.522</u>

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

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January

Line No	Description	Rate	Ratio	Weighted
1	Debt	4.5100% [1]	47.0000% [1]	2.1197% [2]
2	Equity	10.3000% [1]	53.0000% [1]	5.4590% [3]
3	Total ROR (L1 + L2)			7.5787%
4				
5	Statutory tax rate	23.3503% [4]		
6	Statutory regulatory fee percentage rate	0.12967% [5]		
7	Uncollectibles	0.25010% [6]		

Notes:

[1] Docket No. E-7, Sub 1214, McManeus Exhibit 1, Page 2

[2] Debt Rate x Debt Ratio

[3] ROE x Equity Ratio

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

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

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for credit card fees
For the test period ended December 31, 2018

NC-2500
Narrative
January

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expenses for credit card fees costs by projecting 2019 transactions and applying a unit cost per transaction.

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

September Update

Updated NC-2503 with actuals through September 2019, and updated the formula in line 16 to account for 9 months of actuals vs 6 months of actuals.

October Update

Updated NC-2503 with actuals through October 2019, and updated the formula in line 16 to account for 10 months of actuals vs 9 months of actuals.

November Update

An issue was identified with the previously reported 2019 actuals, therefore NC-2503 has been updated with revised actuals through November 2019. The formula in line 16 has also been updated to account for 11 months of actuals vs 10 months of actuals.

December Update

Updated NC-2503 with actuals through December 2019, and updated the formula in line 16 to account for 12 months of actuals vs 11 months of actuals.

January Update

Updated NC-2503 with actuals through January 2020, and updated the formula in line 17 to account for 13 months of actuals vs 12 months of actuals.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for credit card fees
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2500
Page 1 of 1
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-2501	9,022	8,774	248
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-2501	(2,107)	(2,049)	(58)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	6,916	6,725	190
18					
19	Operating income	L4 - L17	\$ (6,916)	\$ (6,725)	\$ (190)
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization		-	-	-
30	Electric plant in service, net	L28 + L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40			-	-	-
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for credit card fees
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2501
Page 1 of 1
January

Line No.	Description	Total NC Retail
1	<u>Impact to Income Statement Line Items</u>	
2	Projected NC costs	
3	Credit card fees	\$ 9,022 [1]
4		
5	Impact to O&M (L3)	<u>\$ 9,022</u>
6		
7	Statutory tax rate	23.3503% [2]
8	Impact to income taxes (-L5 x L7)	<u>\$ (2,107)</u>
9		
10	Impact to operating income (-L5 - L8)	<u><u>\$ (6,916)</u></u>
11		
12		
13	<u>Impact to Rate Base Line Items</u>	
14	<u>Accumulated depreciation and amortization:</u>	
15	Impact to accumulated depreciation	<u>\$ -</u>
16		
17	<u>Working capital investment:</u>	
18		\$ -
19		
20	Impact to working capital investment (L18)	<u>\$ -</u>
21		
22	Deferred tax rate	23.3503%
23	Impact to accumulated deferred income tax (-L20 x L22)	<u>\$ -</u>
24		
25	Impact to rate base (L15 + L20 + L23)	<u><u>\$ -</u></u>

[1] NC-2502 - NC Projected credit card fees for 2019

[2] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 9

I/A

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for credit card fees
For the test period ended December 31, 2018

NC-2502
Page 1 of 1
January

Duke Energy Carolinas - Projected credit card fees - NC Retail

Line No.	Description	Transactions NC residential	Cost per transaction	NC Residential Projected costs
1	Annualized 2019	6,014,994 [1]	\$ 1.50 [2]	9,022,490
2				
3	Total			\$ 9,022,490
4				

[1] NC-2503 - 2019 Credit/debit card and ACH transactions - NC Residential Only
[2] Contracted 3rd party fee

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Duke Energy Carolinas, LLC
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Adjust for credit card fees
For the test period ended December 31, 2018

NC-2503
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January

2019 Credit/debit card and ACH transactions - NC Residential Only

Line No.	Description	Total NC Retail
1	<u>Actual NC Residential Transactions:</u>	
2	Jan 2019	483,187
3	Feb 2019	473,007
4	Mar 2019	504,476
5	Apr 2019	511,184
6	May 2019	482,460
7	Jun 2019	457,862
8	Jul 2019	531,746
9	Aug 2019	498,258
10	Sep 2019	525,262
11	Oct 2019	542,249
12	Nov 2019	465,106
13	Dec 2019	536,940
14	Jan 2020	504,506
15	Total NC Residential Transactions	6,516,243
16		
17	Annualized transactions based on actuals Jan 2019 through Jan 2020 (L15 x (12/13))	6,014,994

Note: Number of transactions provided by Revenue Services

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for new depreciation rates
For the test period ended December 31, 2018

NC-2600
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts depreciation expense, income tax and the reserve for depreciation to reflect the updated depreciation rates resulting from a new depreciation study.

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

January Update

Updated NC-2603 for change in treatment of catalyst depreciation and updated solar percentages based on updated NC-0603(E).

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for new depreciation rates
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2600
Page 1 of 1
January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense		-	-	-
11	Depreciation and amortization	NC-2601	72,915	72,133	781
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-2601	(17,026)	(16,843)	(182)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	55,889	55,290	599
18					
19	Operating income	L4 - L17	\$ (55,889)	\$ (55,290)	\$ (599)
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization	NC-2601	(72,915)	(72,913)	(2)
30	Electric plant in service, net	Sum L28 through L29	(72,915)	(72,913)	(2)
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40			-	-	-
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ (72,915)	\$ (72,913)	\$ (2)
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for new depreciation rates
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2601
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January

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Impact to Income Statement Line Items</u>			
2	<u>Depreciation and amortization:</u>			
3	Production Plant (310-348)	\$ 108,233 [1]	67.4345% [2]	\$ 72,986
4	Transmission Plant (350-359)	6,760 [1]	52.6634% [3]	3,560
5	Distribution Plant (360-387)	564 [1]	73.9558% [4]	417
6	General Plant (389-399)	(2,070) [1]	69.0221% [5]	(1,429)
7	General Plant Amortization	(3,748) [1]	69.0221% [5]	(2,587)
8	Adjust deprec. and amort. for new rates (Sum L3 through L7)	\$ 109,738		\$ 72,947
9				
10	Adjust to deprec. and amort. for costs recovered in riders	\$ (48) [6]	67.4345% [2]	\$ (33)
11				
12	Impact to depreciation and amortization (L8 + L10)	\$ 109,690		\$ 72,915
13				
14	Statutory tax rate	23.3503% [7]		23.3503% [7]
15	Impact to income taxes (-L12 x L14)	\$ (25,613)		\$ (17,026)
16				
17	Impact to operating income (-L12 - L15)	\$ (84,077)		\$ (55,889)
18				
19	<u>Impact to Rate Base Line Items</u>			
20	<u>Accumulated depreciation and amortization:</u>			
21	Production (-L3)	\$ (108,233)	67.4345% [2]	\$ (72,986)
22	Transmission (-L4)	(6,760)	52.6634% [3]	(3,560)
23	Distribution (-L5)	(564)	73.9558% [4]	(417)
24	General (-L6)	2,070	69.0221% [5]	1,429
25	General Plant Amortization (-L7)	3,748	69.0221% [5]	2,587
26	Adjust to accum. deprec. (Sum L21 through L25)	\$ (109,738)		\$ (72,947)
27				
28	Adjust to accum. deprec. for costs recovered in riders	\$ 48 [8]	67.4345% [2]	\$ 33 [8]
29				
30	Impact to accumulated depreciation (L26 + L28)	\$ (109,690)		\$ (72,915)
31				
32	Impact to rate base (L26)	\$ (109,690)		\$ (72,915)

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

[2] Allocation Factor - All Production Demand

[3] Allocation Factor - All Transmission Demand

[4] Allocation Factor - All - Dist Plant - DEC

[5] Allocation Factor - All - Intang and Gen Plt

[6] NC-2603 - Comparison of Current and Proposed Depreciation as of December 31, 2018 - Costs recovered through riders, Line 6

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

[8] NC-2603 - Comparison of Current and Proposed Depreciation as of December 31, 2018 - Costs recovered through riders, Adjustment column, Line 6 less Line 1. Only the SCR Catalyst depreciation expense is recovered through the fuel clause, not the accumulated depreciation.

I/A

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for new depreciation rates
For the test period ended December 31, 2018

NC-2602
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January

Comparison of Current and Proposed Depreciation as of December 31, 2018

Line No.	Description	CURRENT		PROPOSED		Adjustment Amount
		Calculated Annual Accrual	Current Rate	Calculated Annual Accrual	Proposed Rate	
1	TOTAL STEAM PRODUCTION PLANT (311-317)	\$ 284,823,199	3.41	\$ 367,923,551	4.40	\$ 83,100,352
2	TOTAL NUCLEAR PRODUCTION PLANT (321-326)	288,434,455	3.39	306,886,916	3.60	18,452,461
3	TOTAL HYDRAULIC PRODUCTION PLANT (331-337)	39,880,402	1.87	42,784,187	2.00	2,903,785
4	TOTAL OTHER PRODUCTION PLANT (341-348)	97,440,447	3.09	101,217,613	3.21	3,777,166
5	TOTAL PRODUCTION	\$ 710,578,503		\$ 818,812,267		\$ 108,233,764
6						
7	TOTAL TRANSMISSION PLANT (352-359)	\$ 79,291,459	2.05	\$ 86,253,267	2.23	\$ 6,961,808
8	TOTAL DISTRIBUTION PLANT (361-387)	273,273,414 [2]	2.27	273,848,655 [2]	2.28	575,241
9	TOTAL GENERAL PLANT (390-399)	62,704,125	5.45	60,633,994	5.27	(2,070,131)
10						
11	TOTAL ACCOUNT 310	-	0.00	-	0.00	-
12	TOTAL ACCOUNT 320	16,272	1.70	16,172	1.69	(100)
13	TOTAL ACCOUNT 330	145,399	0.62	144,624	0.61	(775)
14	TOTAL ACCOUNT 340	342	4.45	383	4.98	41
15	RIGHTS OF WAY - ACCOUNT 350.00	1,875,161	1.15	1,673,327	1.03	(201,834)
16	RIGHTS OF WAY - ACCOUNT 360.00	120,975	1.37	110,290	1.25	(10,685)
17	LAND RIGHTS - ACCOUNT 360.20	8,480	1.51	7,656	1.36	(824)
18	RIGHTS OF WAY - ACCOUNT 389.00	8,307	1.51	8,256	1.50	(51)
19	LAND RIGHTS - ACCOUNT 389.20	2	1.21	2	1.21	-
20						
21	TOTAL RESERVE ADJUSTMENT FOR AMORTIZATION	(10,159,236)	0.00	(13,907,418)	0.00	(3,748,182)
22						
23	TOTAL DEPRECIABLE PLANT	\$ 1,117,863,203		\$ 1,227,601,475		\$ 109,738,272

[1] Information provided by Duke Energy Carolinas - Asset Accounting (Duke Energy Carolinas Depreciation Study)

[2] Includes the amortization of the unrecovered net book value of retired meters regulatory asset.

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Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for new depreciation rates
For the test period ended December 31, 2018

NC-2603
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January

Comparison of Current and Proposed Depreciation as of December 31, 2018 - Costs recovered through riders

Line No.	Description	CURRENT		PROPOSED		Adjustment Amount	Adjustment
		Calculated Annual Accrual [1]	Current Rate [1]	Calculated Annual Accrual [2]	Proposed Rate [2]		
1	Steam 312 - SCR Catalyst	\$ 4,667,989	3.2300%	\$ 5,824,147	4.0300%	\$ 1,156,158	\$ - [3]
2	Other Production - Solar-Mocksville	1,583,450	4.9836%	1,633,157	5.1400%	49,707	(1,844) [4]
3	Other Production - Solar-Monroe	5,898,350	5.0600%	5,983,186	5.1328%	84,836	(3,266) [5]
4	Other Production - Solar-Woodleaf	664,520	5.0600%	653,612	4.9769%	(10,908)	491 [6]
5	Other Production - Solar-Roof top	1,587,563	5.4172%	\$ 1,692,676	5.7759%	105,113	(43,811) [7]
6	Total Production	\$ 14,401,872		\$ 15,786,778		\$ 1,384,906	\$ (48,431)

[1] NC-0803 - Adjustment to Annualize Depreciation Expense at Dec. 31, 2018 - Costs recovered through riders

[2] Information provided by Duke Energy Carolinas - Asset Accounting (Duke Energy Carolinas Depreciation Study)

[3] In the supplemental January update, DEC is no longer proposing to flow catalyst depreciation expense through the fuel rider, therefore this adjustment is no longer needed.

[4] Per NC-0603, 3.71% of Solar Mocksville costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[5] Per NC-0603, 3.85% of Solar Monroe costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[6] Per NC-0603, 4.50% of Solar Woodleaf costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[7] Per NC-0603, 41.68% of Solar PVDG costs are collected in the REPS rider and should be excluded for purposes of this analysis.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018

NC-2900
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts depreciation and amortization, and income taxes for the amortization of the deferred storm expenses related to Hurricanes Florence and Michael and Winter Storm Diego (E-7 Sub 1187).

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

September Update

NC-2905 Line 5 corrected Allocation factor and updated figures with Actual final figures.

NC-2902 Corrected depreciation to be calculated on a one month lag. Updated Depreciation rates to reflect rates as of 12/31/2018.

October update

NC-2905 - Updated Storm costs per latest actuals

November update

NC-2905 - Updated Storm costs per latest actuals

December update

NC-2905 - Updated Storm costs per latest actuals

January update

NC-2905 - Updated Storm costs per latest actuals

NC-2902 - Updated monthly distribution assets/plant balance to reflect actual date in Power Plant and not date of storm:

NC-2902, NC-2903 and NC-2904 - updated composite depreciation rate to exclude AMR meters, which had not been captured in previous versions

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2900
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January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense		-	-	-
11	Depreciation and amortization	NC-2901	24,696	24,179	517
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-2901	(5,767)	(5,646)	(121)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	18,929	18,533	396
18					
19	Operating income	L4 - L17	<u>\$ (18,929)</u>	<u>\$ (18,533)</u>	<u>\$ (396)</u>
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization		-	-	-
30	Electric plant in service, net	L28 + L29	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment	NC-2901	172,870	169,251	3,620
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes	NC-2901	(40,366)	(39,520)	(845)
39	Operating reserves		-	-	-
40			-	-	-
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	<u>\$ 132,505</u>	<u>\$ 129,730</u>	<u>\$ 2,774</u>
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Line No.	Month	Cumulative Deferred Storm Costs Balance			
		Distribution [1]	Transmission [2]	Production [3]	Total
1	<u>Impact to Income Statement Line Items</u>				
2	Projected ending balance at July 31, 2020	\$ 190,979	\$ 6,587	\$ -	\$ 197,566
3	Years to amortize	8	8	8	
4	Impact to depreciation and amortization (L2 / L3)	\$ 23,872	\$ 823	\$ -	\$ 24,696
5					
6	Statutory tax rate	23.3503%	23.3503%	23.3503%	
7	Impact to income taxes (-L4 x L6)	\$ (5,574)	\$ (192)	\$ -	\$ (5,767)
8					
9	Impact to operating income (-L4 - L7)	\$ (18,298)	\$ (631)	\$ -	\$ (18,929)
10					
11	<u>Impact to Rate Base Line Items</u>				
12	Projected July 31, 2020 storm deferral balance for rate base (L2)	\$ 190,979	\$ 6,587	\$ -	\$ 197,566
13	Less: 1st year storm deferral amortization (-L4)	(23,872)	(823)	-	(24,696)
14	Projected storm deferral balance for rate base (L12 + L13)	\$ 167,106	\$ 5,764	\$ -	\$ 172,870
15					
16	Impact to working capital investment (L14)	\$ 167,106	\$ 5,764	\$ -	\$ 172,870
17					
18	Deferred tax rate	23.3503%	23.3503%	23.3503%	
19	Impact to accumulated deferred income tax (-L16 x L18)	\$ (39,020)	\$ (1,346)	\$ -	\$ (40,366)
20					
21	Impact to rate base (L16 + L19)	\$ 128,087	\$ 4,418	\$ -	\$ 132,505

- [1] NC-2902 - Projected Storm Deferral Balance-Distribution
 [2] NC-2903 - Projected Storm Deferral Balance-Transmission
 [3] NC-2904 - Projected Storm Deferral Balance-Production
 [4] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

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Projected Storm Deferral Balance-Distribution

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-		-	-	-	-		51,343	36	110	51,489	51,489
2	October 31, 2018	-	-	-	-	-	-	-	71,628	123	375	72,125	123,614
3	November 30, 2018	-	-	-	-	-	-	-		174	530	704	124,319
4	December 31, 2018	19,081	-	-	19,081	18	53	-	43,163	205	626	44,066	168,384
5	January 31, 2019	17,905	35	(35)	17,870	34	103	35		237	723	1,132	169,516
6	February 28, 2019	18,575	33	(68)	18,507	33	102	33		239	728	1,134	170,651
7	March 31, 2019	18,575	34	(102)	18,473	34	103	34		240	732	1,144	171,795
8	April 30, 2019	18,575	34	(136)	18,439	34	103	34		242	737	1,150	172,945
9	May 31, 2019	18,575	34	(170)	18,405	34	103	34		244	742	1,157	174,102
10	June 30, 2019	18,575	34	(204)	18,371	34	103	34		245	747	1,163	175,265
11	July 31, 2019	18,575	34	(238)	18,337	34	103	34		247	752	1,169	176,435
12	August 31, 2019	18,575	34	(272)	18,303	34	103	34		248	757	1,176	177,610
13	September 30, 2019	18,575	34	(306)	18,269	34	102	34		250	762	1,182	178,793
14	October 31, 2019	18,575	34	(340)	18,235	34	102	34		252	767	1,189	179,982
15	November 30, 2019	18,575	34	(374)	18,201	33	102	34		253	772	1,195	181,177
16	December 31, 2019	18,575	34	(408)	18,167	33	102	34		255	778	1,202	182,379
17	January 31, 2020	18,575	34	(442)	18,133	33	102	34		257	783	1,208	183,587
18	February 29, 2020	18,575	34	(476)	18,099	33	101	34		258	788	1,215	184,802
19	March 31, 2020	18,575	34	(510)	18,065	33	101	34		260	793	1,222	186,024
20	April 30, 2020	18,575	34	(544)	18,031	33	101	34		262	798	1,228	187,253
21	May 31, 2020	18,575	34	(578)	17,997	33	101	34		264	804	1,235	188,488
22	June 30, 2020	18,575	34	(612)	17,963	33	101	34		265	809	1,242	189,730
23	July 31, 2020	18,575	34	(646)	17,929	33	100	34		267	814	1,249	190,979
24	Total Costs Through July 31, 2020					653	1,992	646	166,134	5,324	16,229	190,979	

Docket No. E-7, Sub 1146 Cost of Capital		Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
					Tax Rate	Pre-Tax	After-Tax
25	Long-Term Debt	48.00%	4.59%	2.20%	23.3503%	2.20%	1.69%
26	Common Equity	52.00%	9.90%	5.15%		6.72%	5.15%
27	Total		14.49%	7.35%		8.92%	6.84%

Depreciation Rates	
28	Book Depr Rate - Distribution 2.20% [2]
29	Book Depr Rate - Transmission 2.05% [2]
30	Book Depr Rate - Production 3.21% [2]

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

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Projected Storm Deferral Balance-Transmission

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	4,463	3	10	4,476	4,476
2	October 31, 2018	-	-	-	-	-	-	-	940	7	21	968	5,444
3	November 30, 2018	-	-	-	-	-	-	-	-	8	23	31	5,475
4	December 31, 2018	-	-	-	-	-	-	-	406	8	24	439	5,913
5	January 31, 2019	-	-	-	-	-	-	-	-	8	25	34	5,947
6	February 28, 2019	-	-	-	-	-	-	-	-	8	26	34	5,981
7	March 31, 2019	-	-	-	-	-	-	-	-	8	26	34	6,015
8	April 30, 2019	-	-	-	-	-	-	-	-	8	26	34	6,049
9	May 31, 2019	-	-	-	-	-	-	-	-	9	26	34	6,084
10	June 30, 2019	-	-	-	-	-	-	-	-	9	26	35	6,118
11	July 31, 2019	-	-	-	-	-	-	-	-	9	26	35	6,153
12	August 31, 2019	-	-	-	-	-	-	-	-	9	26	35	6,188
13	September 30, 2019	-	-	-	-	-	-	-	-	9	27	35	6,224
14	October 31, 2019	-	-	-	-	-	-	-	-	9	27	35	6,259
15	November 30, 2019	-	-	-	-	-	-	-	-	9	27	36	6,295
16	December 31, 2019	-	-	-	-	-	-	-	-	9	27	36	6,331
17	January 31, 2020	-	-	-	-	-	-	-	-	9	27	36	6,367
18	February 29, 2020	-	-	-	-	-	-	-	-	9	27	36	6,403
19	March 31, 2020	-	-	-	-	-	-	-	-	9	27	36	6,439
20	April 30, 2020	-	-	-	-	-	-	-	-	9	28	37	6,476
21	May 31, 2020	-	-	-	-	-	-	-	-	9	28	37	6,513
22	June 30, 2020	-	-	-	-	-	-	-	-	9	28	37	6,550
23	July 31, 2020	-	-	-	-	-	-	-	-	9	28	37	6,587
24	Total Costs Through July 31, 2020					-	-	-	5,809	192	586	6,587	

Docket No. E-7, Sub 1146
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
25 Long-Term Debt	48.00%	4.59%	2.20%	23.3503%	2.20%	1.69%
26 Common Equity	52.00%	9.90%	5.15%		6.72%	5.15%
27 Total		14.49%	7.35%		8.92%	6.84%

Depreciation Rates

28 Book Depr Rate - Distribution	2.20% [2]
29 Book Depr Rate - Transmission	2.05% [2]
30 Book Depr Rate - Production	3.21% [2]

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

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Projected Storm Deferral Balance-Production

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-
2	October 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
3	November 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-
4	December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
5	January 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
6	February 28, 2019	-	-	-	-	-	-	-	-	-	-	-	-
7	March 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
8	April 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
9	May 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
10	June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
11	July 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
12	August 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
13	September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
14	October 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
15	November 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
16	December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
17	January 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
18	February 29, 2020	-	-	-	-	-	-	-	-	-	-	-	-
19	March 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
20	April 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-
21	May 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
22	June 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-
23	July 31, 2020					-	-	-	-	-	-	-	
24	Total Costs Through July 31, 2020					-	-	-	-	-	-	-	

Docket No. E-7, Sub 1146 Cost of Capital		Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
					Tax Rate	Pre-Tax	After-Tax
25	Long-Term Debt	48.00%	4.59%	2.20%	23.3503%	2.20%	1.69%
26	Common Equity	52.00%	9.90%	5.15%		6.72%	5.15%
27	Total		14.49%	7.35%		8.92%	6.84%

Depreciation Rates		
28	Book Depr Rate - Distribution	2.20% [2]
29	Book Depr Rate - Transmission	2.05% [2]
30	Book Depr Rate - Production	3.21% [2]

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

I/A

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NC Storm Cost Data as of January 2020

Line No.	Description	Hurricane Florence - Sep 2018			Hurricane Michael - Oct 2018			Winter Storm Diego - Dec 2018		
		System	Allocator	NC Retail	System	Allocator	NC Retail	System	Allocator	NC Retail
1	Distr-O&M	81,468	Direct	71,141	78,875	Direct	71,628	54,935	Direct	43,163
2	Deductible			(19,798) [2]						
3	Distr-Capital	5,407	Direct	3,603	11,344	Direct	10,701	6,821	Direct	4,272
4										
5	Trans-O&M	8,475	53%	4,463 [1]	1,785	53%	940 [1]	772	53%	406 [1]
6	Trans-Capital									
7										
8	Prod-O&M									
9	Prod-Capital									

[1] Transmission Demand Allocator

[2] Storm normalization adjustment

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Adjust for Hydro Stations Sale
For the test period ended December 31, 2018

NC-3200
Narrative
January

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expenses, income taxes, depreciation and amortization expense, electric plant in service and accumulated depreciation to remove the impact of the five hydro stations being sold to Northbrook in 2019 from the test period and the impacts in other proformas. The five hydro stations being sold are Bryson Hydroelectric Station, Franklin Hydroelectric Station, Gaston Shoals Hydroelectric Station, Mission Hydroelectric Station, Tuxedo Hydroelectric Station.

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

September Update

Updated NC-3208 with the actual closing entries.

October Update

Updated NC-3208 with additional closing entries recorded in October.

December Update

Updated NC-3205 and NC-3204 to remove the plant and accumulated depreciation adjustment. Proforma NC-1000 has been updated to reflect balances as of December 2019. As of December, plant balances for these hydro assets is now zero. The adjustments to rate base and depreciation expense is now calculated in NC-1000

January Update

No Financial Change. Updated the dates on NC-3204 and NC-3205 from 12/31/2019 to 1/31/2020.

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January

Line No.	Description	Source	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-3201	(1,560)	(1,560)	-
11	Depreciation and amortization	NC-3201	1,809	1,773	36
12	General taxes	NC-3201	(193)	(193)	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-3201	(13)	(5)	(8)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	43	16	27
18					
19	Operating income	L4 - L17	\$ (43)	\$ (16)	\$ (27)
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service	NC-3201	\$ -	\$ (36,522)	\$ 36,522
29	Accumulated depreciation and amortization	NC-3201	-	14,093	(14,093)
30	Electric plant in service, net	Sum L28 through L29	-	(22,429)	22,429
31					
32	Add:				
33	Materials and supplies	NC-3201	(146)	(146)	-
34	Working capital investment	NC-3201	19,494	19,280	214
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes	NC-3201	(4,552)	(4,502)	(50)
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ 14,796	\$ (7,797)	\$ 22,593
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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NC-3201
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January

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1	Remove Direct O&M	\$ (1,230) [1]		\$ (827) [1]
2	Remove Hydro Stations Transaction Costs- O&M	(346) [2]		(232) [2]
3	Remove Hydro Stations Transaction Costs- A&G	(740) [2]	67.7195% [3]	(501)
4	Impact to O&M (Sum L1 to L3)	<u>\$ (2,317)</u>		<u>\$ (1,560)</u>
5				
6	Remove Depreciation related to Hydro Stations - Hydro	\$ (2,134) [4]	67.4345% [5]	\$ (1,439)
7	Remove Depreciation related to Hydro Stations - Intangibles	(2) [4]	69.0221% [6]	(1)
8	Amortize Loss on Sale	4,818 [9]	67.4345% [5]	3,249
9	Impact to Depreciation and Amortization (L6 + L7 + L8)	<u>\$ 2,683</u>		<u>\$ 1,809</u>
10				
11	Remove Property Taxes	\$ (283) [4]	68.1137% [7]	(193)
12	Impact to general taxes (L11)	<u>\$ (283)</u>		<u>\$ (193)</u>
13				
14	Statutory tax rate	23.3503% [8]		23.3503% [8]
15	Impact to income taxes $-(L4 + L9 + L12) \times L14$	<u>\$ (19)</u>		<u>\$ (13)</u>
16				
17	Impact to operating income $(-L4 - L9 - L12 - L15)$	<u><u>\$ (64)</u></u>		<u><u>\$ (43)</u></u>
18				
19	<u>Rate Base investment:</u>			
20	Remove Hydro Stations Electric Plant in Service - Hydro	\$ - [4]	67.4345% [5]	\$ -
21	Remove Hydro Stations Electric Plant in Service - Intangible	- [4]	69.0221% [6]	-
22	Remove Total Hydro Stations Electric Plant in Service (L20 + L21)	<u>\$ -</u>		<u>\$ -</u>
23				
24	Remove Hydro Stations Accumulated Depreciation - Hydro	\$ - [4]	67.4345% [5]	\$ -
25	Remove Hydro Stations Accumulated Depreciation - Intangible	- [4]	69.0221% [6]	-
26	Remove Total Hydro Stations Accumulated Depreciation (L24 + L25)	<u>\$ -</u>		<u>\$ -</u>
27				
28	Impact to net plant investment (L22 + L26)	<u>\$ -</u>		<u>\$ -</u>
29				
30	Remove Hydro Stations Inventory balance at 12/31/2018	(216) [10]	67.4345% [5]	(146)
31	Impact to materials and supplies (L30)	<u>\$ (216)</u>		<u>\$ (146)</u>
32				
33	Regulatory Asset Loss on sale	\$ 28,908 [9]	67.4345% [5]	\$ 19,494
34	Impact to working capital investment (L33)	<u>\$ 28,908</u>		<u>\$ 19,494</u>
35				
36	Deferred tax rate	23.3503% [8]		23.3503% [8]
37	Impact to accumulated deferred income tax $(-L34 \times L36)$	<u>\$ (6,750)</u>		<u>\$ (4,552)</u>
38				
39	Impact to rate base (L28 + L31 + L34 + L37)	<u><u>\$ 21,941</u></u>		<u><u>\$ 14,796</u></u>

[1] NC-3203 - Hydro Stations Operating and Maintenance Expenses

[2] NC-3202 - Hydro Stations Sale Transaction Costs

[3] Allocation Factor - All Labor

[4] NC-3204 - Hydro Stations Asset Impacts in Proformas and the Test Year

[5] Allocation Factor - All Production Demand

[6] Allocation Factor - All - Intang and Gen Plt

[7] NC-0901 - Annualize property taxes on year end plant balances, Allocation Factor - Gross Plant

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

[9] NC-3206 - Loss on Sale of the Hydro Stations Regulatory Asset Amortization

[10] Source: Fossil Hydro Generation Regulatory Strategy

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Adjust for Hydro Stations Sale
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Hydro Stations Sale Transaction Costs

Line No.	Description	Total Carolinas 12/31/2018		Total NC Retail 12/31/2018
1	Property Surveys	834,459		
2	Legal Fees	250,518		
3	Environmental Study	71,513		
4	Data Room	24,159		
5	Misc Empl Exp	155		
6	Total Transaction Costs	<u>1,180,803</u>		
7				
8	0506000 - Misc Fossil Power Expenses - Variable	102,268	65.883% [2]	67,378
9	0506000 - Misc Fossil Power Expenses Fixed	244,076	67.435% [3]	164,592
10	0921100 - Employee Expenses	332 a	67.720% [4]	225
11	0923000 - Outside Services Employed	834,127 a	67.720% [4]	564,867
12	Sub-Total O&M	<u>\$ 1,180,803</u>		<u>\$ 797,061</u>
13				
14	Accounts in A&G reimbursement calculation (Sum of a)	\$ 834,459 a	67.720% [4]	565,092
15	Catawba reimbursement allocation rate	13.988% [1]		
16	Non-ownership percentage in Catawba plant	80.754% [1]		
17	Costs reimbursed by Catawba Joint Owners -(L14 x L15 x L16)	<u>(94,259)</u>	67.720% [4]	<u>(63,832)</u>
18	Total A&G less Catawba reimbursement (L14 + L17)	<u>\$ 740,200</u>		<u>\$ 501,260</u>
19				
20	Total O&M less Catawba reimbursement (L8 + L9 + L18)	<u>\$ 1,086,544</u>		<u>\$ 733,229</u>

- [1] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Alloc. \$), 12 ME Dec. 31, 2018, Lines 20 and 24
[2] Allocation Factor - All MWHs at Generation
[3] Allocation Factor - All Production Demand
[4] Allocation Factor - All Labor

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January

Hydro Stations Operating and Maintenance Expenses

Line No.	Account	2018 Bryson City Hydro	2018 Franklin Hydro	2018 Gaston Shoals	2018 Missions Hydro	2018 Tuxedo	Sum:	Fixed	Variable	Total
1	0535000 - Supervsn and Engrng - Hydro Oper	52,424	28,203	146,156	30,679	84,489	341,950	335,564	6,387	341,950
2	0537100 - Hydraulic Expenses			540		540	1,079	-	1,079	1,079
3	0537400 - Recreation Expenses - Hydro	(200)		13,041		6,771	19,612	19,762	(150)	19,612
4	0538100 - Electric Expenses - Other - Hydro	20,236	14,111	129,192	20,797	41,556	225,893	185,454	40,439	225,893
5	0539000 - Misc Hydraulic Expenses	7,612	498	134,033	7,120	41,674	190,937	128,707	62,230	190,937
6	0541000 - Suprvsn and Engrng - Hydro Maint	2,537	372	6,225	2,816	19,548	31,498	28,722	2,776	31,498
7	0542000 - Maint of Structures - Hydro	38	1,322	12,715	4,894	487	19,457	16,356	3,101	19,457
8	0543000 - Maint - Reservoir Dam and Waterw:	275	3,590	60,743	37,692	76,459	178,760	189,089	(10,329)	178,760
9	0544000 - Maint of Electric Plant - Hydro	17,957	7,410	50,059	52,071	42,322	169,819	119,990	49,829	169,819
10	0545100 - Maint - Misc Hydraulic Plant	1,481	2,681	18,322	13,388	7,070	42,942	38,575	4,367	42,942
11	0545400 - Recreation Facilities - Hydro	3	4	5,339	3,029	-	8,375	9,072	(698)	8,375
12	Sum:	102,363	58,190	576,365	172,487	320,917	1,230,322	1,071,292	159,029	1,230,322
13										
14	NC Retail Allocation Factor						[2]	67.43%	65.88%	
15										
16	Total Allocated to NC Retail							722,421	104,774	827,195

[1] Source: Direct Operation and Maintenance expenses

[2] Fixed is allocated at All - Production Demand and Variable is allocated at All - MWHs at Generation

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January

Hydro Stations Asset Impacts in Proformas and the Test Year

Line No.	Description	Plant in Service 12/31/2018	Calculated Annual Accrual	Actual 12ME Depr Booked	Difference
1	Impact to Income Statement Line Items				
2	Hydro/Other	\$ 53,384 [1]	\$ 2,057 [1]	1,566 [1]	\$ 491
3	Hydro - Right of Way	274 [1]	- [1]	- [1]	-
4	Intangibles	75 [2]	2 [1]	2 [1]	-
5	Balance in Plant in Service related to Hydro Stations Sale (L2 + L3 + L4)	\$ 53,733	\$ 2,058	\$ 1,567	\$ 491
6	Impact of Hydro Stations Sale assets to depreciation expense in NC-0802 (L5)				\$ 491
7					
8					
9					
10		Plant in Service	CURRENT Calculated Annual Accrual	PROPOSED Calculated Annual Accrual	Adjustment Amount
11		12/31/2018	12/31/2018	12/31/2018	12/31/2018
12	TOTAL HYDRAULIC PRODUCTION PLANT (331-337)	\$ 53,454 [1]	\$ 2,060 [1]	\$ 2,137 [1]	\$ 77
13	TOTAL ACCOUNT 330	274 [1]	- [1]	- [1]	-
14	Balance in Plant in Service related to Hydro Stations Sale (L12 + L13)	\$ 53,729	\$ 2,060	\$ 2,137	\$ 77
15	Impact of Hydro Stations Sale assets to depreciation expense in NC-2602 (L14)				\$ 77
16					
17		Forecasted Net Change through 1/31/2020		Proposed Rate	Depr. Exp
18					
19					
20					
21	Electric Plant in Service - Hydro Production Balances	\$ (54,083) [2]		2.00% [3]	Included on NC-1001 January t
22	Electric Plant in Service - Intangible Balances	(75) [2]		20.00%	Included on NC-1001 January t
23	Impact of Hydro Stations Sale assets to depreciation expense in NC-1001 (L21+ L22)	\$ (54,157)			\$ -
24					
25	Actual Depreciation Expense booked in 2018 for the Hydro Stations - Hydro				\$ 1,566 [1]
26	Actual Depreciation Expense booked in 2018 for the Hydro Stations - Intangible				\$ 2 [1]
27					
28	Impact to depreciation and amortization (L6 + L15 + L23 + L25 + L26)				\$ 2,135
29					
30		State - NC	State - SC		Total
31	12/31/2017 System Balances Subject to Property Tax	\$ 42,253,166 [4]	\$ 38,314,366 [4]		
32	2018 Property Tax Expense Paid	90,787 [4]	\$ 117,894 [4]		
33	Average Property Tax Rate (L32 / L31)	0.21486%	0.30770%		
34					
35	Hydro Stations Plant in Service Balance at 12/31/2017	\$ 54,093 [2]	\$ 54,093 [2]		
36	2017 Percent of Hydro Stations of System Balances Subject to Property Tax (L35 / L31)	0.1280%	0.1412%		
37	2018 Property Tax Expense Paid - Allocated to Hydro Stations (L32 x L36)	\$ 116	\$ 166		\$ 283
38					
39	12/31/2018 System Balances Subject to Property Tax	\$ 43,751,158 [4]	\$ 40,832,365 [4]		
40	Annualized Property Tax Expense (L33 x L39)	94,006	125,641		
41					
42	Hydro Stations Plant in Service Balance at 12/31/2018	\$ 54,157 [2]	\$ 54,157 [2]		
43	2018 Percent of Hydro Stations of System Balances Subject to Property Tax(L42 / L39)	0.12378%	0.13263%		
44	Annualized Property Tax Expense - Allocated to Hydro Stations (L40 x L43)	116	167		
45					
46	Property Tax Expense Adjustment - Allocated to Hydro Stations (L44 - L37)	\$ 0	\$ 0		\$ 0
47	Impact of Hydro Stations Sale assets to property tax in NC-0901 (L46)				\$ 0
48					
49	Impact to general taxes (L37 + L46)				\$ 283

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January

Hydro Stations Asset Impacts in Proformas and the Test Year

Line No.	Description	Forecasted Net Change through 1/31/2020	Actual Balance at 12/31/2018	Adjustment Amount
50	Impact to Rate Base Line Items			
51	Electric Plant in Service - Hydro Production Balances	\$ (54,083) [2]		\$ (54,083)
52	Electric Plant in Service - Intangible Balances	(75) [2]		(75)
53	Impact of Hydro Stations Sale assets to electric plant in service in NC-1002 (L51 +L52)	\$ (54,157)		\$ (54,157)
54				
55	Plant in Service balance for the Hydro Stations - Hydro		\$ 54,083 [2]	\$ 54,083
56	Plant in Service balance for the Hydro Stations - Intangible		\$ 75 [2]	\$ 75
57				
58	Impact to electric plant in service (L53 + L55 + L56)			\$ (0)
59				
60	Accumulated Depreciation - Hydro Balances	\$ 18,604 [2]		\$ 18,604
61	Accumulated Depreciation - Intangible Balances	53 [2]		53
62	Impact of Hydro Stations Sale assets to accumulated depreciation in NC-1003 (L60 +L61)	\$ 18,657		\$ 18,657
63				
64	Accumulated Depreciation balance for the Hydro Stations - Hydro		\$ (18,604) [2]	\$ (18,604)
65	Accumulated Depreciation balance for the Hydro Stations - Intangible		\$ (53) [2]	\$ (53)
66				
67		Actual Plant in Service 1/31/2020	Current Rate	Calculated Annual Accrual
68				Forecasted 12ME Depr Booked
69				Difference
70	Hydro/Other	\$ - [5]	3.85% [6]	\$ - [2]
71	Hydro - Right of Way	- [5]	0.00%	- [2]
72	Intangible	- [5]		-
73	Balance in Plant in Service related to Hydro Stations Sale (L70 + L71 +L72)	\$ -	\$ -	\$ -
74	Impact of Hydro Stations Sale assets to accumulated depreciation in NC-1007 (L73)			\$ -
75				
76	Impact to accumulated depreciation (L62 + L64 + L65 + L74)			\$ 0
77				
78	Total net plant (L58 + L76)			\$ (0)

[1] Amounts provided by Duke Energy Carolinas - Asset Accounting
[2] NC-3205 - Hydro Stations - Balances
[3] NC-2602 - Comparison of Current and Proposed Depreciation as of December 31, 2018
[4] NC-0901 - Annualize property taxes on year end plant balances
[5] Forecasted Plant in Service amounts provided by Duke Energy Carolinas - Electric Utilities & Infrastructure Planning and Forecasting
[6] Calculated current rate based on the Calculated Annual Accrual amount divided by the Plant in Service at 12/31/2018 in Line 2

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January

Hydro Stations - Balances

Line No.	Description	ACTUALS			Net Change d = c - b
		Dec 2017 [1] a	Dec 2018 [2] b	Jan 2020 [2] c	
1					
2	<u>Electric Plant in Service - Balances</u>				
3	<u>Hydro Production:</u>				
4	Bryson	\$ 6,547	\$ 6,547		\$ (6,547)
5	Franklin	8,141	8,018		(8,018)
6	Gaston Shoals	20,330	20,533		(20,533)
7	Mission	8,107	8,078		(8,078)
8	Tuxedo	10,916	10,907		(10,907)
9	Hydro Production Total (Sum L4 through L8)	\$ 54,041	\$ 54,083	\$ -	\$ (54,083)
10	<u>Intangibles:</u>				
11	Bryson	\$ 26	\$ 30		\$ (30)
12	Franklin	26	30		(30)
13	Gaston Shoals	-	6		(6)
14	Mission	-	6		(6)
15	Tuxedo	-	4		(4)
16	Intangible Total (Sum L11 through L15)	\$ 52	\$ 75	\$ -	\$ (75)
17					
18	Balance in Plant in Service related to Hydro Station Sale (L9 + L16)	\$ 54,093	\$ 54,157	\$ -	\$ (54,157)
19					
20	<u>Accumulated Depreciation - Balances</u>				
21	<u>Hydro Production:</u>				
22	Bryson		\$ (942)		\$ 942
23	Franklin		(103)		103
24	Gaston Shoals		(8,813)		8,813
25	Mission		(2,437)		2,437
26	Tuxedo		(6,310)		6,310
27	Hydro Production Total (Sum L22 through L26)		\$ (18,604)	\$ -	\$ 18,604
28	<u>Intangibles:</u>				
29	Bryson		(26)		\$ 26
30	Franklin		(26)		26
31	Gaston Shoals		(0)		0
32	Mission		(0)		0
33	Tuxedo		(0)		0
34	Intangible Total (Sum L29 through L33)		\$ (53)	\$ -	\$ 53
35					
36	Balance in Accumulated Depreciation related to Hydro Station Sale (L27 + L34)		\$ (18,657)	\$ -	\$ 18,657
37					
38	<u>Depreciation Expense - Forecasted 12 Months Activity as of January 31, 2020</u>				
39	<u>Hydro Production:</u>				
40	Bryson (-L22 col. d x 12/13)				
41	Franklin (-L23 col. d x 12/13)				
42	Gaston Shoals (-L24 col. d x 12/13)				
43	Mission (-L25 col. d x 12/13)				
44	Tuxedo (-L26 col. d x 12/13)				
45	Hydro Production Total				\$ -
46	<u>Intangibles:</u>				
47	Bryson (-L29 col. d x 12/13)				
48	Franklin (-L30 col. d x 12/13)				
49	Gaston Shoals (-L31 col. d x 12/13)				
50	Mission (-L32 col. d x 12/13)				
51	Tuxedo (-L33 col. d x 12/13)				
52	Intangible Total				\$ -
53					
54	Depreciation Expense related to Hydro Station Sale				\$ -
55					
56	[1] NC-3206 - FERC Form 1 - Page 410 - Generating Plant Statistics (Small Plants)				
57	[2] Actual amounts provided by Duke Energy Carolinas - Asset Accounting				
58					

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January

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Feb 14 2020

Loss on Sale of the Hydro Stations Regulatory Asset Amortization

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Impact to Income Statement Line Items</u>			
2	Projected July 31, 2020 loss on sale balance	\$ 33,726 [1]	67.4345% [2]	\$ 22,743
3	Years to amortize	7		7
4	Impact to depreciation and amortization (L2 / L3)	\$ 4,818		\$ 3,249
5				
6	Statutory tax rate	23.3503% [3]		23.3503% [3]
7	Impact to income taxes (-L4 x L6)	\$ (1,125)		\$ (759)
8				
9	Impact to operating income (-L4 - L7)	\$ (3,693)		\$ (2,490)
10				
11	<u>Impact to Rate Base Line Items</u>			
12	Projected July 31, 2020 loss on sale balance (L2)	\$ 33,726		\$ 22,743
13	Less: 1st year amortization (-L4)	(4,818)		(3,249)
14	Projected deferral balance for rate base (L12 + L13)	\$ 28,908		\$19,494
15				
16	Impact to working capital investment (L14)	\$ 28,908		\$19,494
17				
18	Deferred tax rate	23.3503% [3]		23.3503% [3]
19	Impact to accumulated deferred income tax (-L16 x L18)	\$ (6,750)		\$ (4,552)
20				
21	Impact to rate base (L16 + L19)	22,158		14,942

[1] NC-3207 - Duke Energy Carolina's sale of the Hydro Stations Amortization

[2] Allocation Factor - All Production Demand

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

Note: Figures above are the current estimates. Final figures will be provided when available.

I/A

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for Hydro Stations Sale
For the test period ended December 31, 2018
(Dollars in thousands)

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January

Loss on Sale of the Hydro Stations Regulatory Asset

Line No.		Beginning Balance		Depreciation Expense		Deferral
1	Aug-19	\$ 35,755 [1]	\$	(178) [2]	\$	35,577
2	Sep-19	35,577		(178)		35,399
3	Oct-19	35,505 [3]		(178)		35,327
4	Nov-19	35,327		(178)		35,149
5	Dec-19	35,149		(178)		34,971
6	Jan-20	34,971		(178)		34,793
7	Feb-20	34,793		(178)		34,615
8	Mar-20	34,615		(178)		34,437
9	Apr-20	34,437		(178)		34,259
10	May-20	34,259		(178)		34,081
11	Jun-20	34,081		(178)		33,904
12	Jul-20	33,904		(178)		33,726

[1] NC-3208 Sale of Hydro Stations Accounting Entries row 38

[2] NC-3204 Hydro Stations Asset Impacts in Proformas and the Test Year

[3] NC-3208 Sale of Hydro Stations Accounting Entries row 52

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Adjust for Hydro Stations Sale
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January

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Sale of Hydro Stations Accounting Entries

Duke Energy Carolina's sale of the Hydro Stations will be accounted for in accordance with the requirements of Electric Plant Instruction No. 5, as depicted below.

Line No.	Entry	Account	Account Title	Debit	Credit
1					
2	1	131 Cash		\$ 4,818	
3		232 Accounts Payable (legal and transaction fees)			\$ 1,331
4		154 Plant Materials and Operating Supplies			225
5		102 Electric Plant Purchased or Sold			3,262
6				<u>\$4,818</u>	<u>\$4,818</u>
7		To record the sale to account 102, Electric Plant Purchased or Sold, per Plant Instruction Pt. 101-5.			
8		Amounts based on actuals as of closing date.			
9					
10					
11	2	102 Electric Plant Purchased or Sold		\$ 3,262	
12		108 Accumulated Provision for Depreciation of Electric Utility Plant		20,278	
13		421.2 Loss on Disposition of Property		33,985	
14		107/108.6 Construction Work in Progress/RWIP			\$ 309
15		101 Electric Plant in Service			57,216
16				<u>\$57,525</u>	<u>\$57,525</u>
17		To clear account 102, Electric Plant Purchased or Sold and to clear Duke Energy Carolinas'			
18		original cost and accumulated depreciation as of closing date.			
19					
20					
21	3	107/108.6 Construction Work in Progress/RWIP		\$ 1,825	
22		131 Cash			\$ 1,825
23					
24		To record the Transmission work costs required per Asset Purchase Agreement			
25		Amounts based on actuals as of closing date.			
26					
27	4	143 Account Receivable		\$ 55	
28		107 Construction Work in Progress			\$ 55
29					
30		To record the receivable from the Northbrook for portion of Transmission works			
31		(\$30K for Gaston Shoals and \$25K for Tuxedo)			
32					
33	5	182.3 Other Regulatory Assets - NC		\$ 24,111	
34		182.3 Other Regulatory Assets - SC		8,342	
35		421.2 Loss on Disposition of Property			\$ 33,985
36		107/108.6 Construction Work in Progress/RWIP			1,770
37		426.5 PpandE Impairments		3,302	
38				<u>\$ 35,755</u>	<u>\$ 35,755</u>
39					
40		To record the Regulatory Assets to be recovered and to record the impairment for the Wholesale portion.			
41					
42					
43	Additional Entry recorded in October				
44					
45	6	102 Electric Plant Purchased or Sold		\$ 106	
46		506 Misc Fossil Power Expenses			\$ 106
47					
48	7	182.3 Other Regulatory Assets - NC		\$ 71	

Duke Energy Carolinas, LLC
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Correct Lead Lag Per Books amount
For the test period ended December 31, 2018

NC-3300
Narrative
December

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

October Update

As noted in Public Staff Data request 62.5 this pro forma reflects a correction to the Per Books Lead Lag amount. While responding to data request 62.5, the Company discovered an error in the calculation of property insurance expense which also impacted the calculation of remaining other operation & maintenance expense.

December Update

The Company has updated the lead lag study for the way payroll deductions and tax related to incentive pay were calculated. We also corrected a couple formula issues.

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Correct Lead Lag Per Books amount
For the test period ended December 31, 2018
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NC-3300
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December

Line No.	Description	Source	Total NC Retail December
1			
2	<u>Pro Formas Impacting Income Statement Line Items</u>		
3			
4	Electric operating revenue		
5			
6	Electric operating expenses:		
7	Operation and maintenance		
8	Fuel used in electric generation		-
9	Purchased power		-
10	Other operation and maintenance expense		-
11	Depreciation and amortization		-
12	General taxes		-
13	Interest on customer deposits		-
14	Income taxes		-
15	Amortization of investment tax credit		-
16			
17	Total electric operating expenses	Sum L8 through L15	-
18			
19	Operating income	L4 - L17	\$ -
20			
21	Notes:		
22	Revenue: positive number increases revenue / negative number decreases revenue		
23	Expense: positive number increases expense / negative number decreases expense		
24			
25			
26	<u>Pro Formas Impacting Rate Base Line Items</u>		
27			
28	Electric plant in service		\$ -
29	Accumulated depreciation and amortization		
30	Electric plant in service, net	Sum L28 through L29	-
31			
32	Add:		
33	Materials and supplies		-
34	Working capital investment		(16,472)
35			-
36			
37	Less:		
38	Accumulated deferred taxes		-
39	Operating reserves		-
40			
41			
42	Construction work in progress		-
43			
44	Total impact to rate base	Sum L30 through L42	\$ (16,472)
45			
46	Note:		
47	Rate Base: positive number increases rate base / negative number decreases rate base		

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Correct Lead Lag Per Books amount
For the test period ended December 31, 2018

NC-3301
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December

No.	Description	Actual Annual Amount [A]	Lead (Lag) Days [B]	Weighted Amount [C]		
Calculation of NC Retail Amount:						
1	Total Revenue Lag		40.09			
2						
3	Operation and Maintenance Expense	2,559,661,028	30.71	78,598,071,979		
4	Depreciation and Amortization	838,804,844	0.00	0		
5	Taxes Other Than Income Taxes	194,680,961	168.11	32,727,032,211		
6	Interest on Customer Deposits	7,129,673	218.40	1,557,120,627		
7	Income Taxes	224,997,489	0.48	107,265,513		
8	Investment of Tax Credit	(3,525,573)	0.00	0		
9	Net Operating Income	1,082,335,768	24.97	27,025,316,831		
10	Total Requirements (Sum L3 through L9)	4,904,084,190	28.55	140,014,807,161		
11						
12	Revenue Lag Days (L1)		40.09			
13	Requirements Lead Days (-L10)		(28.55)			
14	Net Lag Days (L12 + L13)		11.54			
15	Daily Requirements (Line 10, Col. A divided by 365)			13,435,847		
16						
17	Estimated Cash Working Capital Requirements (L14 x L15)			155,063,806		
18	Add: Cash Working Capital Related to NC Sales Tax			6,203,981		
19	Total Cash Working Capital Requirements (L17 + L18)			161,267,787		
20						
21	Calculation of Total Company and Jurisdictional Amounts:					
22	NC Retail Factor "All - Rate Base x CWC" Allocation Factor			68.1442%		
23					Per Books COS	Adjustment
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 236,656,522	\$ 260,829,438	\$ (24,172,916)
25						
26	NC Retail Factor			68.1442%	68.1442%	
27	SC Retail Factor			23.4945%	23.4945%	
28	Total Wholesale Factor			8.3143%	8.3143%	
29	Other Jur Factor			0.0469%	0.0469%	
30	Total (Sum L26 through L29)			100.0000%	100.0000%	
31						
32	NC Retail Cash Working Capital Requirement (L24 x L26)			161,267,787	177,740,237	(16,472,450)
33	SC Retail Cash Working Capital Requirement (L24 x L27)			55,601,207	61,280,507	(5,679,300)
34	Total Wholesale Cash Working Capital Requirement (L24 x L28)			19,676,435	21,686,254	(2,009,819)
35	Total Other Jur Cash Working Capital Requirement (L25 x L29)			111,093	122,440	(11,347)
36	Total Company Cash Working Capital Requirement (Sum L32 through L35)			236,656,522	260,829,438	(24,172,916)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Supplemental Exhibit 4

Excess Deferred Income Tax Rider Calculation
(Dollars in thousands)

	Federal EDIT - Protected <u>NC Retail</u>	Federal EDIT - Unprotected, PP&E related <u>NC Retail</u>	Federal EDIT - Unprotected, non PP&E related <u>NC Retail</u>	NC EDIT <u>NC Retail</u>	Deferred Revenue <u>NC Retail</u>	Total <u>NC Retail</u>
	(A)	(B)	(C)	(D)	(E)	(F)
1 Regulatory Federal EDIT liability including gross up on the books as of 12/31/2018, based on 2017 tax returns	[1] \$ (1,224,087)	\$ (783,045)	\$ (166,964)	\$ (34,339)		(2,208,434)
2 Adjustment to implement ASU 2018-02	[1]		\$ (1,344)	\$ -		(1,344)
3 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2018-12/31/2018	[1] \$ 29,734		\$ (29,734)	\$ -		-
4 Regulatory Federal EDIT liability including gross up as of 12/31/2018, adjusted for the implementation of ASU 2018-02	[1] \$ (1,194,353)	\$ (783,045)	\$ (198,042)	\$ (34,339)	\$ -	(2,209,778)
5 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2019-7/31/2020	[1] \$ 47,078		\$ (47,078)	\$ -		-
6 Deferred revenues related to 2017 Federal Tax Rate Change as of 12/31/2018	[1]				\$ (112,661)	(112,661)
7 Other projected updates through 1/31/2020	[2]			\$ (53.31)	\$ (8,392)	(8,445)
8 Regulatory liability for federal tax change including gross up for NC Retail, for Year 1 rider calculation (Sum of L4 to L7)	\$ (1,147,275)	\$ (783,045)	\$ (245,120)	\$ (34,392)	\$ (121,053)	(2,330,885)
9 Annual Amortization percentage	2.43%	5.00%	20.00%	20.00%	20.00%	6.39%
10 Liability for Annual amortization amount (Col A: L1 , Col B to E: L8)	(1,224,087)	(783,045)	(245,120)	(34,392)	(121,053)	(2,407,697)
11 Annual amortization amount (L9 x L10)	[3] (29,734)	(39,152)	(49,024)	(6,878)	(24,211)	(148,999)
12 Years of rider amortization	41.17	20	5	5	5	16

[1] Excess deferred tax liability (EDIT) on the books as of 12/31/2018 by jurisdiction, and forecast transition to new rates effective date between categories based on Tax Dept. analysis of ADIT.

Federal EDIT related to the federal tax changes booked to the 0254036 and 0254038 accounts is included in other Working Capital in the per books cost of service.

NC EDIT related to the NC state tax reduction deferred to the 0254150 account not included for recovery in NC EDIT rider approved in prior DEC NC rate case.

This NC EDIT is included in other Working Capital in the per books cost of service study.

Revenues deferred for federal tax changes with accrued returns in the 0229010 account, are currently excluded from rate base in the per books cost of service study.

[2] Actual updates to the NC tax EDIT during 2019 by Tax Dept.

McManeus Supplemental Exhibit 4, Page 3, Line 1 return accruals on deferred revenues in the 0229010 account projected through 1/31/2020.

[3] Annual amortization for Federal EDIT-Protected from Tax Dept., estimated based on ARAM method.

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			After Tax Weighted Average Cost of Capital (WACC)
Cost of Capital per McManeus Exhibit 1	Ratio	Rate	
Debt	47.00%	4.51%	1.62%
Equity	53.00%	10.30%	5.46%
			7.08%
Statutory Tax Rate			23.35%
Retention factor for NCUC Fee, Uncollectibles			99.62%

Annual Rider Calculation

Amortization - From Page 1, L11															
Year		Beginning Balance, Page 1, L8	Federal EDIT - Protected	Federal EDIT - Unprotected, PP&E related	Federal EDIT - Unprotected, non PP&E related	NC EDIT	Deferred Revenue	Total Amortization (G) =(B)+(C)+(D)+ [E]+[F]	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) /2	EDIT Balance in Base Rates, Page 1, L1 (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	Rider Revenues (M) = (G) + (L)	Rider Revenues incl. NCUC Fee, Uncollectibles (N) = (M) / Retention Factor
Aug 20- Jun 21	1	(2,330,885)	(29,734)	(39,152)	(49,024)	(6,878)	(24,211)	(148,999)	(2,181,886)	(\$2,256,386)	(2,208,434)	(\$47,951)	(\$3,112)	(152,111)	(152,691)
Jul 21- Jun 22	2	(2,181,886)	(29,734)	(39,152)	(49,024)	(6,878)	(24,211)	(148,999)	(2,032,887)	(\$2,107,387)	(2,208,434)	\$101,047	\$7,154	(141,845)	(142,385) [1]
Jul 22- Jun 23	3	(2,032,887)	(29,734)	(39,152)	(49,024)	(6,878)	(24,211)	(148,999)	(1,883,888)	(\$1,958,388)	(2,208,434)	\$250,046	\$17,703	(131,296)	(131,796) [1]
Jul 23- Jun 24	4	(1,883,888)	(29,734)	(39,152)	(49,024)	(6,878)	(24,211)	(148,999)	(1,734,889)	(\$1,809,389)	(2,208,434)	\$399,045	\$28,252	(120,747)	(121,207) [1]
Jul 24- Jun 25	5	(1,734,889)	(29,734)	(39,152)	(49,024)	(6,878)	(24,211)	(148,999)	(1,585,890)	(\$1,660,390)	(2,208,434)	\$548,044	\$38,802	(110,197)	(110,617) [1]

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

Duke Energy Carolinas, LLC
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NORTH CAROLINA RETAIL
McManeus Supplemental Exhibit 4

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Deferred Revenue for Federal Tax Rate Change in account 0229010

NC Retail

1	Projected Changes in Deferred Revenue for Federal Tax Rate Change through Jan 2020	(\$8,392,119)
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DUKE ENERGY CAROLINAS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 7,273,365	\$ 4,904,084	\$ (94,214)	\$ 4,809,871	\$ 464,686	\$ 5,274,557
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,504,692	989,374	178,117	1,167,491	-	1,167,491
3	Purchased power	317,798	194,348	(170,936)	23,412	-	23,412
4	Other operation and maintenance expense	2,029,601	1,375,939	(204,777)	1,171,162	1,765	1,172,927
5	Depreciation and amortization	1,193,762	838,805	370,930	1,209,735	-	1,209,735
6	General taxes	291,829	194,681	14,972	209,653	-	209,653
7	Interest on customer deposits	8,169 (b)	7,130	-	7,130	-	7,130
8	Net income taxes	340,714	224,997	(56,735)	168,263	107,901	276,164
9	Amortization of investment tax credit	(5,259)	(3,526)	690	(2,836)	-	(2,836)
10	Total electric operating expenses	5,681,305	3,821,748	132,262	3,954,010	109,666	4,063,676
11	Operating income	<u>\$ 1,592,059</u>	<u>\$ 1,082,336</u>	<u>\$ (226,475)</u>	<u>\$ 855,861</u>	<u>\$ 355,020</u>	<u>\$ 1,210,881</u>
12	Original cost rate base (e)	<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 1,381,862 (d)</u>	<u>\$ 15,938,512</u>	<u>\$ 38,909 (f)</u>	<u>\$ 15,977,421</u>
13	Rate of return on North Carolina retail rate base		<u>7.44%</u>		<u>5.37%</u>		<u>7.58%</u>

Notes: (a) From Form E-1 Item 45A

(b) Reclassifies interest on customer deposits to electric operating expense.

(c) From Page 3, Line 35.

(d) From Page 4, Line 9.

(e) From Page 2.

(f) Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY CAROLINAS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 10,993,064	47.00%	\$ 7,491,101	4.51%	\$ 337,849	\$ 7,509,388	4.51%	\$ 338,673
2	Members' equity (a)	11,682,367	53.00%	8,447,411	6.13%	518,012	8,468,033	10.30%	872,207
3	Total	<u>\$ 22,675,431</u>	<u>100.00%</u>	<u>\$ 15,938,512</u> (b)		<u>\$ 855,861</u> (c)	<u>\$ 15,977,421</u> (b)		<u>\$ 1,210,881</u>
4	Operating income before increase (Line 3, Column 5)								855,861
5	Additional operating income required (Line 3 minus Line 4)								355,020
6	Calculate income tax on incremental interest expense due to increase in cash working capital in proposed revenue								(193)
7	Regulatory fee (.12967%), uncollectibles rate (.2501%) and income taxes (23.3503%)								109,859
8	Additional revenue requirement								<u>\$ 464,686</u>

Notes: (a) The equivalent of common equity for a limited liability company.
(b) From Page 1, Line 12, Column 4 and Column 6.
(c) From Page 1, Line 11, Column 4.

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	Amortization of ITC (Col. 8)	Operating Income
1	Annualize retail revenues for current rates	\$ (110,407)	\$ -	\$ -	\$ (826)	\$ -	\$ -	\$ (25,588)	\$ -	(83,994)
2	Update fuel costs to proposed rate	-	209,105	(169,854)	(21,892)	(3,277)	-	(3,288)	-	(10,794)
2E	Update fuel costs to proposed rate	-	-	-	-	3,277	-	(765)	-	(2,512)
3	Normalize for weather	(109,566)	(26,163)	-	(416)	-	-	(19,378)	-	(63,609)
3F	Normalize for weather - Rebuttal	12,757	1,138	-	48	-	-	2,702	-	8,869
4	* Annualize revenues for customer growth	9,942	2,775	-	39	-	-	1,664	-	5,464
4F	Annualize revenues for customer growth - Rebuttal	35,690	8,125	-	3,035	-	-	5,728	-	18,802
5	Eliminate unbilled revenues	26,204	-	-	-	-	-	6,119	-	20,085
6	Adjust for costs recovered through non-fuel riders	50,669	(16,862)	(1,082)	(117,348)	(3,071)	(10)	60,905	-	128,138
6F	Adjust for costs recovered through non-fuel riders - Rebuttal	-	-	-	(24)	27	-	(1)	-	(2)
7	Adjust O&M for executive compensation	-	-	-	(3,301)	-	-	771	-	2,530
8	Annualize depreciation on year end plant balances	-	-	-	-	59,172	-	(13,817)	690	(46,045)
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	(121)	-	28	-	92
9	Annualize property taxes on year end plant balances	-	-	-	-	-	7,469.73	(1,744)	-	(5,726)
10	* Adjust for post test year additions to plant in service	-	-	-	-	50,629	6,771	(13,403)	-	(43,998)
10E	Adjust for post test year additions to plant in service - Supplemental	-	-	-	-	10,380	2,486	(3,004)	-	(9,862)
11	* Amortize deferred environmental costs	-	-	-	-	95,913	-	(22,396)	-	(73,517)
11E	Adjust deferred environmental - Supplemental	-	-	-	-	(1,970)	-	460	-	1,510
12	Annualize O&M non-labor expenses	-	-	-	2,631	-	-	(614)	-	(2,017)
12F	Adjust non-labor expenses - Rebuttal	-	-	-	5,297	-	-	(1,237)	-	(4,060)
13	* Normalize O&M labor expenses	-	-	-	(23,765)	-	(1,162)	5,820	-	19,106
13E	Adjust Normalization O&M Labor Expenses - Supplemental	-	-	-	(4,328)	-	(346)	1,091	-	3,582
14	Update benefits costs	-	-	-	(1,433)	-	-	335	-	1,099
14E	Update benefits costs	-	-	-	(2,126)	-	-	496	-	1,630
15	* Levelize nuclear refueling outage costs	-	-	-	(2,138)	-	-	499	-	1,639
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	192	-	-	(45)	-	(147)
16	* Amortize rate case costs	-	-	-	801	-	-	(187)	-	(614)
16E	Adjust Amortize Rate Case costs - Supplemental	-	-	-	-	-	-	-	-	-
17	Adjust aviation expenses	-	-	-	(1,986)	-	(27)	470	-	1,543
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,408	62,706	56	(14,984)	-	(49,187)
19	Adjust for Merger Related Costs	-	-	-	(5,530)	(21)	(73)	1,313	-	4,311
19E	Adjust Merger related Costs - Supplemental	-	-	-	-	(27)	-	6	-	21
20	* Amortize Severance Costs	-	-	-	(46,208)	-	-	10,790	-	35,418
20E	Adjust amortization of Severance Costs - Supplemental	-	-	-	(1,255)	-	-	293	-	962

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	Amortization of ITC (Col. 8)	Operating Income
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	(2,707)	-	2,707
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(2,580)	-	2,580
22F	Adjust Synchronize Interest Expense - Rebuttal	-	-	-	-	-	-	(2,251)	-	2,251
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	-	-	-	103	-	(103)
23F	Adjust Cash Working Capital - Rebuttal	-	-	-	-	-	-	(94)	-	94
24	Adjust coal inventory	-	-	-	-	-	-	-	-	-
25	* Adjust for credit card fees	-	-	-	8,774	-	-	(2,049)	-	(6,725)
25F	Adjust Credit Card Fees - Rebuttal	-	-	-	202	-	-	(47)	-	(155)
26	* Adjust Depreciation for new rates	-	-	-	-	72,133	-	(16,843)	-	(55,290)
26E	Adjust Depreciation for new rates - Supplemental	-	-	-	-	781	-	(182)	-	(599)
27	Adjust vegetation management expenses	-	-	-	7,739	-	-	(1,807)	-	(5,932)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(1,808)	-	422	-	1,386
29	* Update deferred balance and amortize storm costs	-	-	-	-	24,179	-	(5,646)	-	(18,533)
29F	Adjust Storm Costs - Rebuttal	-	-	-	-	217	-	(51)	-	(166)
30	Adjust Other Revenue	(9,502)	-	-	(36)	-	-	(2,210)	-	(7,256)
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	(500)	-	-	117	-	383
32	* Adjust for Hydro Stations Sale	-	-	-	(1,560)	1,773	(193)	(5)	-	(16)
32E	Adjust for Hydro Stations Sale - Supplemental	-	-	-	-	36	-	(8)	-	(27)
33D	Correct Lead Lag Per Books	-	-	-	-	-	-	-	-	-
34F	Remove/Reclassify Certain Test Period Expenses - Rebuttal	-	-	-	(271)	-	-	63	-	208
35	Total adjustments - Original Filing	\$ (142,660)	\$ 168,854	\$ (170,936)	\$ (205,547)	\$ 358,330	\$ 12,832	\$ (59,918)	\$ 690	\$ (246,966)
35A	Changes in Supplemental/Rebuttal	48,447	9,263	-	770	12,600	2,140	3,183	-	20,491
	Total Adjustments	\$ (94,214)	\$ 178,117	\$ (170,936)	\$ (204,777)	\$ 370,930	\$ 14,972	\$ (56,735)	\$ 690	\$ (226,475)

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

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	109,581	-	109,581
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	14,082	-	14,082
2E	Update fuel costs to proposed rate - Supplemental	-	-	-	-	-	-	-	-	3,277	-	3,277
3	Normalize for weather	-	-	-	-	-	-	-	-	82,987	-	82,987
3F	Normalize for weather - Rebuttal	-	-	-	-	-	-	-	-	(11,571)	0	(11,571)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	(7,128)	-	(7,128)
4F	Annualize revenues for customer growth - Rebuttal	-	-	-	-	-	-	-	-	(24,530)	-	(24,530)
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	(26,204)	-	(26,204)
6	Adjust for costs recovered through non-fuel riders	(18,328)	4,243	(42,354)	(19,404)	12,472	-	-	(63,371)	(167,173)	(5,857)	(173,030)
6F	Adjust for costs recovered through non-fuel riders - Rebuttal	929	(206)	-	(37,184)	-	-	-	(36,462)	2	(3,370)	(3,367)
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	(3,301)	-	(3,301)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	60,072	-	60,072
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	-	-	-	-	(121)	-	(121)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	7,470	-	7,470
10	* Adjust for post test year additions to plant in service	1,355,958	(619,363)	-	(4,945)	(17,144)	-	-	714,506	57,401	66,033	123,433
10E	Adjust for post test year additions to plant in service - Supplemental	461,096	12,809	-	44,487	(25,112)	-	-	493,279	12,866	45,587	58,453
11	* Amortize deferred environmental costs	-	-	-	383,653	(89,584)	-	-	294,069	95,913	27,177	123,090
11E	Adjust deferred environmental - Supplemental	-	-	-	(7,879)	1,840	-	-	(6,039)	(1,970)	(558)	(2,528)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	2,631	-	2,631
12F	Adjust non-labor expenses - Rebuttal	-	-	-	-	-	-	-	-	5,297	-	5,297
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	(24,926)	-	(24,926)
13E	Adjust Normalization O&M Labor Expenses - Supplemental	-	-	-	-	-	-	-	-	(4,674)	-	(4,674)
14	Update benefits costs	-	-	-	-	-	-	-	-	(1,433)	-	(1,433)
14E	Update benefits costs	-	-	-	-	-	-	-	-	(2,126)	-	(2,126)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	(2,138)	-	(2,138)
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	-	-	-	-	-	192	-	192
16	* Amortize rate case costs	-	-	-	3,080	(719)	-	-	2,361	801	218	1,019
16E	Adjust Amortize Rate Case costs - Supplemental	-	-	-	6	(1)	-	-	5	-	0	0
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	(2,013)	-	(2,013)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(139,897)	32,666	-	-	(107,231)	64,171	(9,910)	54,261
19	Adjust for Merger Related Costs	-	338	-	-	-	-	-	338	(5,624)	31	(5,592)
19E	Adjust Merger related Costs - Supplemental	(1,206)	-	-	-	-	-	-	(1,206)	(27)	(111)	(138)
20	* Amortize Severance Costs	-	-	-	46,113	(10,767)	-	-	35,345	(46,208)	3,266	(42,941)
20E	Adjust amortization of Severance Costs - Supplemental	-	-	-	(2,743)	640	-	-	(2,102)	(1,255)	(194)	(1,449)

McManeus
Rebuttal Exhibit 1
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DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	(3,532)	-	(3,532)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	(3,366)	-	(3,366)
22F	Adjust Synchronize Interest Expense - Rebuttal	-	-	-	-	-	-	-	-	(2,937)	-	(2,937)
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	(20,794)	-	-	-	(20,794)	134	(1,922)	(1,787)
23F	Adjust Cash Working Capital - Rebuttal	-	-	-	19,013	-	-	-	19,013	(123)	1,757	1,634
24	Adjust coal inventory	-	-	3,848	-	-	-	-	3,848	-	356	356
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	8,774	-	8,774
25F	Adjust Credit Card Fees - Rebuttal	-	-	-	-	-	-	-	-	202	-	202
26	* Adjust Depreciation for new rates	-	(72,913)	-	-	-	-	-	(72,913)	72,133	(6,738)	65,395
26E	Adjust Depreciation for new rates - Supplemental	-	(2)	-	-	-	-	-	(2)	781	(0)	781
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	7,739	-	7,739
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	(1,808)	-	(1,808)
29	* Update deferred balance and amortize storm costs	-	-	-	169,251	(39,520)	-	-	129,730	24,179	11,989	36,168
29F	Adjust Storm Costs - Rebuttal	-	-	-	1,519	(355)	-	-	1,164	217	108	325
30	Adjust Other Revenue	-	-	-	-	-	-	-	-	9,466	-	9,466
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	-	-	-	-	-	(500)	-	(500)
32	* Adjust for Hydro Stations Sale	(36,522)	14,093	(146)	19,280	(4,502)	-	-	(7,797)	20	(721)	(700)
32E	Adjust for Hydro Stations Sale	36,522	(14,093)	-	214	(50)	-	-	22,593	36	2,088	2,124
33D	Correct Lead Lag Per Books	-	-	-	(16,472)	-	-	-	(16,472)	-	(1,522)	(1,522)
34F	Remove/Reclassify Certain Test Period Expenses - Rebuttal	-	-	-	-	-	-	-	-	(271)	-	(271)
35	Total adjustments - Original Filing	\$ 1,301,107	\$ (673,602)	\$ (38,652)	\$ 436,337	\$ (117,099)	\$ -	\$ -	\$ 908,092	\$ 322,201	\$ 83,923	\$ 406,124
35A	Changes in Supplemental/Rebuttal	497,341	(1,492)	-	960	(23,038)	-	-	473,770	(29,739)	43,784	14,045
	Total Adjustments	\$ 1,798,448	\$ (675,094)	\$ (38,652)	\$ 437,296	\$ (140,137)	\$ -	\$ -	\$ 1,381,862	\$ 292,462	\$ 127,708	\$ 420,170

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

DUKE ENERGY CAROLINAS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 41,057,320	\$ 27,969,103	\$ 1,798,448	\$ 29,767,551
2	Less: Accumulated depreciation and amortization	4b	(15,830,487)	(10,810,668)	(675,094)	(11,485,762)
3	Net electric plant		25,226,833	17,158,435	1,123,354	18,281,789
4	Add: Materials and supplies	4c	994,443	678,077	(38,652)	639,426
5	Working capital investment	4d	(406,979)	(253,955)	437,296	183,341
6	Less: Accumulated deferred taxes		(3,824,449)	(2,601,854)	(140,137) (a)	(2,741,990)
7	Operating reserves		(628,321)	(424,053)	-	(424,053)
8	Construction work in progress		-	-	-	-
9	Total		<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 1,381,862</u>	<u>\$ 15,938,512</u>

DUKE ENERGY CAROLINAS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 22,181,205	\$ 14,978,527	\$ 754,494	\$ 15,733,021
2	Transmission Plant	4,052,747	2,179,775	226,495	2,406,270
3	Distribution Plant	12,085,804	8,938,158	677,535	9,615,694
4	General Plant	1,212,985	830,763	94,664	925,427
5	Intangible Plant	986,751	687,541	45,260	732,801
6	Subtotal	40,519,492 (a)	27,614,764	1,798,448	29,413,212
7	Nuclear Fuel (Net)	537,828	354,338	-	354,338
8	Total electric plant in service	<u>\$ 41,057,320</u>	<u>\$ 27,969,103</u>	<u>\$ 1,798,448</u>	<u>\$ 29,767,551</u>

Notes: (a) Excludes asset retirement obligations, electric plant held for future use, and electric plant acquisition adjustments totaling \$642,372 thousand.
(b) Reflects certain plant in service additions/retirements through January 2020, and a reduction for solar electric plant recovered through the REPS rider.

DUKE ENERGY CAROLINAS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DECEMBER 31, 2018
(Thousands of Dollars)

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (8,604,490)	\$ (5,795,067)	\$ (517,221)	\$ (6,312,288)
2	Transmission Reserve	(1,385,391)	(745,942)	(21,595)	(767,537)
3	Distribution Reserve	(4,816,028)	(3,561,642)	(63,157)	(3,624,799)
4	General Reserve	(414,681)	(285,334)	(25,568)	(310,902)
5	Intangible Reserve	(609,897)	(422,682)	(47,553)	(470,235)
6	Total	<u>\$ (15,830,487)</u>	0 <u>\$ (10,810,668)</u>	<u>\$ (675,094)</u>	<u>\$ (11,485,762)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	4.40%			
9	Nuclear production plant	3.60%			
10	Hydro production plant	2.00%			
11	Other production plant	3.21%			
12	Transmission plant	2.23%			
13	Distribution plant	2.28%			
14	General plant	Various			
15	Intangible plant	20.00%			

- Notes: (a) Excludes accumulated amortization of electric plant acquisition adjustment and accumulated depreciation related to asset retirement obligations totaling (\$107,345) thousand.
(b) Consists of adjustments to depreciation for year-end plant and certain plant additions/retirements through January 2020.

DUKE ENERGY CAROLINAS, LLC
MATERIALS AND SUPPLIES
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 175,291	\$ 115,487	\$ 3,848 [a]	\$ 119,336
2	Gas	45,470	29,957	-	29,957
3	Total fuel stock	220,761	145,444	3,848	149,293
4	Other electric materials and supplies and stores clearing	773,682	532,633	(42,500) [b]	490,133
5	Total Materials and Supplies	\$ 994,443	\$ 678,077	\$ (38,652)	\$ 639,426

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 35 days at full load.
(b) Eliminates (\$42,354) thousand of costs recorded in connection with non-fuel riders and (\$146) related to sale of hydro plants.

DUKE ENERGY CAROLINAS, LLC
WORKING CAPITAL INVESTMENT
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations			Impact of Rev Incr (Col. 5)	With Rev Incr (Col. 6)
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)		
1	Required bank balance	\$ 300	\$ 204	\$ -	\$ 204		\$ 204
2	Investor advanced funds: Operating funds per lead-lag study	260,829	177,740 (a)	(18,253) (b)	159,487	38,909 (c)	198,396
3	Unamortized Debt	114,911	78,306	-	78,306	-	78,306
4	Pension Funding	580,864	394,363	-	394,363	-	394,363
5	Injuries and Damages	705,912	477,557	-	477,557	-	477,557
6	Regulatory Asset and Liability - Tax	(3,338,909)	(2,208,434)	-	(2,208,434)	-	(2,208,434)
7	Other	1,395,698	922,916	455,550	1,378,466	-	1,378,466
8	Total investor advanced funds	(280,695)	(157,552)	437,296	279,744	38,909	318,653
9	Less: customer deposits	(126,585)	(96,608)	-	(96,608)	-	(96,608)
10	Total working capital investment	\$ (406,979)	\$ (253,955)	\$ 437,296	\$ 183,341	\$ 38,909	\$ 222,250

Notes: (a) From Speros Exhibit 2, Line 19.

(b) Reflects a decrease in 'operating funds per lead-lag study' for the adjusted total requirements in this rate case.

(c) Reflects an increase in 'operating funds per lead-lag study' for the impact of the revenue increase.

Nos. 271A18 & 401A18

SUPREME COURT OF NORTH CAROLINA

STATE OF NORTH CAROLINA ex)
rel. UTILITIES COMMISSION; DUKE)
ENERGY PROGRESS, LLC,)
Applicant,)

Appellees,)

v.)

ATTORNEY GENERAL JOSHUA H.)
STEIN, Intervenor; SIERRA CLUB,)
Intervenor,)

Appellants,)

PUBLIC STAFF-NORTH CAROLINA)
UTILITIES COMMISSION,)
Intervenor,)

Cross-Appellant.)

From the North Carolina
Utilities Commission

Docket No. E-2, Sub 1142

and

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ENERGY CAROLINAS, LLC, Applicant,)

Appellees,)

v.)

ATTORNEY GENERAL JOSHUA H.)
STEIN, Intervenor; SIERRA CLUB,)
Intervenor; NORTH CAROLINA)
SUSTAINABLE ENERGY)
ASSOCIATION, Intervenor; NORTH)
CAROLINA JUSTICE CENTER,)
NORTH CAROLINA HOUSING)
COALITION, NATURAL RESOURCES)
DEFENSE COUNCIL, and SOUTHERN)
ALLIANCE FOR CLEAN ENERGY,)
Intervenors,)

Appellants,)

PUBLIC STAFF-NORTH CAROLINA)
UTILITIES COMMISSION, Intervenor,)

Cross-Appellant.)

From the North Carolina
Utilities Commission

Docket No. E-7, Sub 1146

JOINT BRIEF OF APPELLEES DUKE ENERGY CAROLINAS, LLC
AND DUKE ENERGY PROGRESS, LLC

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Nos. 271A18 & 401A18

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From the North Carolina
Utilities Commission

Docket No. E-7, Sub 1146

JOINT BRIEF OF APPELLEES DUKE ENERGY CAROLINAS, LLC
AND DUKE ENERGY PROGRESS, LLC

INTRODUCTION

North Carolina's Public Utility Act sets out a formula and process for determining the retail rates to be charged by electrical utilities, such as Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP") (collectively "Duke Energy" or "Company"). N.C. Gen. Stat. § 62-133. Under the Act, the responsibility for regulating rates lies with the North Carolina Utilities Commission (the "Commission" or the "Utilities Commission"). *Utilities Comm'n v. Thornburg*, 316 N.C. 238, 242, 342 S.E.2d 28, 31 (1986) ("The Commission, not the courts, has been given the authority to regulate the rates of public utilities.").

This Court gives deference to the expertise of the Utilities Commission "as to the credibility and import of the evidence presented." *Utilities Comm'n v. Mebane Home Tel. Co.*, 35 N.C. App. 588, 594, 242 S.E.2d 165, 168 (1978); accord *Utilities Comm'n v. Carolina Utility Customers Ass'n*, 323 N.C. 238, 243, 372 S.E.2d 692, 695 (1988) (noting that this Court gives "great deference" to the Commission when it is exercising its discretion in setting rates). A decision of the Commission should only be reversed if the Commission violated the Constitution, exceeded its statutory authority, acted arbitrary or capriciously, engaged in unlawful proceedings, made errors of law or made findings that are not supported by competent and substantial evidence. N.C. Gen. Stat. § 62-94(b). The General Assembly has afforded the decisions of the Commission great deference as a result of the Commission's expertise and in order to ensure consistency in rates over time – thus protecting consumers from short-term rate reductions that increase the utility's borrowing costs

and consequently result in higher utility rates in the long term. *See Thornburg*, 316 N.C. at 242, 342 S.E.2d at 31.

The rate formula that the General Assembly has mandated is: 1) the reasonable original cost of the utility's property (less depreciation) used and useful¹ in providing services, multiplied by 2) a fair rate of return; plus 3) the utility's reasonable operating expenses. N.C. Gen. Stat. § 62-133. As of December 31, 2016, Duke Energy's North Carolina retail rate base (without adjustments in connection with this rate case) was \$21.9 billion. DEC Doc. Ex. 32 (\$13,814,781,000); DEP Doc. Ex. 1406 (\$8,102,086,000). A small increase in the cost of capital can increase the utility's capital costs by hundreds of millions of dollars per year.² Because the cost of obtaining capital, whether through equity or debt investment, is an element of the rate formula (*see* N.C. Gen. Stat. § 62-133(b)(4)), these costs must be determined in each general rate case.

If the Commission does not set rates at a level that allows the utility to fully recoup its operating costs, its borrowing costs, and its costs of attracting equity investment, then the diminished financial strength of the utility makes it more costly

¹ The term "used and useful," while not defined by statute, encompasses that which both (1) serves the public, and (2) is funded by debt and/or equity investors. *See Utilities Comm'n v. Virginia Elec. & Power Co.*, 285 N.C. 398, 414-15, 206 S.E.2d 283, 295-96 (1974).

² An increase of just one percent in the borrowing rate and rate to attract equity would cost consumers \$219 million each year (i.e., one percent of \$21.9 billion).

to obtain loans and raise equity. In the 2018 rate case orders here on appeal,³ the Commission directly confronted these competing interests. (*See, e.g.*, DEP R p 676 (setting rates at a level that does not allow a utility to recover all of these costs will cause retail rates to increase in the long term and consequently be harmful to ratepayers)). Moody's Investor Service sets its credit ratings in substantial part based on the regulatory environment (i.e., whether the utilities commission authorizes recovery of operating and investment costs). (DEP T Vol 8, p 167). If Duke Energy were not allowed to recover coal ash basin closure costs, its credit rating would decline, and its cost of capital (which are part of the ratemaking formula) would increase. (*Id.*; *see also* DEP T Vol 8, p 435 (“[I]f the Public Staff’s position on coal ash were to be [adopted,] I think you would be looking at a totally new day in the way investors look at [Duke Energy.]”)).

Over the last several decades, the Utilities Commission has carefully considered these trade-offs and has applied its expertise to protect the interests of consumers, preserve the financial stability of utilities, and faithfully apply the formula established by the General Assembly. Consequently, retail electrical utility rates in North Carolina are among the lowest in the country, and this has been consistently true for years. (DEC T Vol 4, p 164). This fact is particularly significant given that Duke Energy has incurred substantial costs to install state-of-the-art

³ *Order Accepting Stipulation, Deciding Contested Issues, and Requiring Revenue Reduction*, Docket No. E-7, Sub 1146 (the “DEC 2018 Rate Case Order” or the “DEC Order”) and *Order Accepting Stipulation, Deciding Contested Issues and Granting Partial Rate Increase*, Docket No. E-2, Sub 1142 (Feb. 23, 2018) (the “DEP 2018 Rate Case Order” or the “DEP Order”).

pollution controls, transition from coal to cleaner burning fuels, and improve transmission infrastructure. (DEC R p 880; DEP R p 557; *see* DEC T Vol 6, p 177). As a result of this costly transition, less than a third of the electricity used in North Carolina comes from coal-fired plants. (DEP T Vol 8, pp 106, 111 n.44; DEC T Vol 4, pp 141, 146 n.44).

As the Commission recognized in its decision, Duke Energy must maintain its credit-worthiness to compete for capital on reasonable terms. (DEC R p 882; DEP R p 559). *See Utilities Comm’n v. Virginia Elec. & Power Co.*, 285 N.C. 398, 407, 206 S.E.2d 283, 290-291 (1974) (“It is in the public interest that a public utility company charge for its services rates which will enable it to maintain its financial ability to render adequate service and to attract the capital necessary for expansion and improvement of its service as needed.”). If Duke Energy were not permitted to recoup any of the elements set out in the ratemaking formula, the result would be to encourage investors to turn to other investment vehicles. (DEC R p 884; DEP R p 561). When this occurs, “the loss of equity investors would start a chain reaction: utility companies would have to take on more debt, which would drive up their cost of borrowing and, in turn, their rates.” H. Mallory Caldwell, *Note: Deconstructing and Reconstructing Consolidated Tax Savings for Public Utilities*, 12 Va. Tax Rev. 735, 764 (1993). In contrast, allowing a utility to recoup its operating, borrowing and opportunity costs “keeps down future borrowing costs by reducing investor risk.” J. Gregory Sidak & Daniel F. Spulber, *Deregulatory Takings and Breach of the Regulatory Contract*, 71 N.Y.U.L. Rev. 851, 881 (1996). As noted scholars have

explained, when regulators set rates so that investors are unable to recover their cost of capital, “today’s customers may gain from this policy, [but] tomorrow’s customers are likely to lose.” A. Lawrence Kolbe & James Read, *The Cost of Capital: Estimating the Rate of Return for Public Utilities* at 22 (1984). Moreover, as the utility loses the ability to obtain capital at reasonable cost, “customers will have to make do with less efficient equipment (for example, from failure to replace [antiquated] electricity generating stations), and with less capacity and a lower safety margin....” *Id.* at 23.

As one witness explained, Duke Energy’s customers “benefit through lower electric rates when the Company has lower financing costs [and] greater access to capital.” (DEC T Vol 4, pp 88-89). Deviating from the cost recovery standards mandated by the General Assembly would result in the State’s regulated utilities being perceived as riskier by investors and lenders, thereby leading to higher costs of capital. (DEC T Vol 11, pp 176). While the desire to lower utility rates in the short run may be tempting, the Attorney General, Public Staff and other Appellants fail to recognize that the effect of ignoring the formula set by the General Assembly will inevitably be to harm consumers in the long term. (*See* DEC R p 1100 (failing to allow Duke Energy to recoup the time value of money will “ultimately increase[e] the Company’s cost of capital”)). Increased borrowing costs will also impede Duke Energy’s ability to implement cleaner alternative energy sources and to modernize the power grid.

As a result, while lowering electricity rates may appear to benefit consumers in the short run, it will increase the cost of electricity in the long run due to the increased cost of capital. (DEC T Vol 4, p 220) (“a return too low in the near-term may produce higher customer rates in the future”). This Court already observed that while it may seem that shifting recoverable costs to shareholders would benefit ratepayers, it “may actually in the long term be less favorable to the ratepayers.” *State ex rel. Utils. Comm’n v. Thornburg*, 325 N.C. 463, 480-81, 385 S.E.2d 451, 461 (1989). What ratepayers may “save” in the short run, “they lose in higher rates of return as well as diminished utility stature in the capital markets.” *Id.* (internal quotations omitted). The ability of a utility to obtain capital at favorable rates is an asset to ratepayers that can quickly be lost when a utility is not allowed to recover its costs. (See DEC T Vol 4, pp 42-43 (Standard & Poor’s has stated that the Company’s credit rating will be lowered if it is unable to recover coal ash closure costs)).

Here, the Appellants are advocating that this Court ignore the express provisions of the Public Utilities Act, the expertise of the Commission and the substantial evidence that supports the Commission’s factual findings. Their position would harm consumers in the long term and risk destabilizing public utilities in North Carolina. The novel theories advocated by the Appellants should be rejected by this Court.

RESTATEMENT OF THE FACTS

The Commission's findings of fact are conclusive if supported by competent, material and substantial evidence. *State ex rel. Utils. Comm'n v. Gen. Tel. Co.*, 281 N.C. 318, 336, 189 S.E.2d 705, 717 (1972). While there may well be evidence in the voluminous record in these cases that would support the "facts" as presented by the Appellants, or even their characterization of those facts, the critical inquiry for this Court is whether the facts actually found by the Commission are supported by the Record. Accordingly, the factual recitation set forth in this section of the Brief is drawn directly from the Commission's Orders in these cases. (*See* DEC R pp 1031-1147; DEP R pp 621-685). No party disputes that the facts as actually found by the Commission are supported by "competent, material and substantial evidence"; accordingly, the facts as actually found are "conclusive."

As the Commission found (DEC R pp 1032-33; DEP R pp 621-622):

Coal-fired power plants have played a predominant role in electricity generation by Duke Energy throughout its history, and the Company is still dependent upon coal-fired generation even today. With coal-fired generation comes a by-product – coal ash, also known as coal combustion residuals, or CCRs. At least since the 1950s, standard industry practice, particularly in the Southeastern United States, called for the management of coal ash in coal ash basins, and such basins were constructed and used at all of the Company's coal-fired generating units.

The United States Environmental Protection Agency ("EPA") has studied CCRs and their proper management and handling since the 1980s, but only began moving forward on comprehensive regulation of CCRs less than ten years ago. In

2010, the EPA issued proposed rules regarding CCRs. EPA's final rule – the Coal Combustion Residuals Rule (“CCR Rule”) – was promulgated on 17 April 2015. North Carolina also enacted specific statutory requirements for coal ash management in its Coal Ash Management Act (“CAMA”), which became effective in 2014 and was amended in 2016. The CCR Rule and CAMA introduced new requirements for the management of coal ash. Duke Energy is, of course, required to comply with these new requirements, which mandate closure of the Company's coal ash basins. Mandated closure triggers Generally Accepted Accounting Principles (“GAAP”) provisions (themselves mandatory for publicly traded companies) relating to the retirement of long-lived tangible assets, and specifically triggers the requirement that the Company account for compliance costs through Asset Retirement Obligation (“ARO”) accounting. The Company, as required by GAAP, established an ARO with respect to its coal ash basins, and, in accordance with the Commission's orders in Docket No. E-7, Sub 723 (as to DEC) and Docket No. E-2, Sub 826 (as to DEP), deferred the impacts of its GAAP-mandated ARO accounting.

No party opposed the deferral of Duke Energy's actually incurred coal ash basin closure costs. (DEC T Vol 9, p 126). To the contrary, as the Commission held, “Public Staff witness Maness indicated that the Public Staff continues to believe that prudently incurred CCR expenditures should be allowed to be deferred for regulatory accounting purposes.” (DEC R p 1031; *accord* DEP R p 617). The Commission in fact approved the deferred accounting requested by Duke Energy.

(DEC R pp 1031; DEP R pp 620). Approval of deferral has not been challenged by any party in this appeal.

In these cases, Duke Energy sought recovery of the coal ash basin closure costs incurred during specified periods (for each, the applicable “Recovery Period”) in connection with CCR Rule and/or CAMA compliance:

- DEC sought recovery of the actual coal ash basin closure costs it incurred from 1 January 2015 through 31 December 2017. On a North Carolina retail jurisdiction basis, these costs amounted to \$566.8 million.
- DEP sought recovery of the actual coal ash basin closure costs it incurred from 1 January 2015 through 31 August 2017. On a North Carolina retail jurisdiction basis, these costs amounted to \$241.9 million.

Further, in both cases, the applicable Company proposed that, rather than recovering 100% of these already incurred costs immediately, it should recover them over a five-year amortization period, along with a return on the unamortized balance at the applicable Company’s weighted average cost of capital, notwithstanding the fact that shareholders and bond holders had provided the funds to pay these costs during the 2015-2017 time frame.

These costs – and *only* these costs – are the costs at issue in these cases. While Appellants seek to call attention to events that they no doubt believe reflect poorly upon Duke Energy, such as the Dan River spill (*see, e.g.*, AG Br. p 3) or the

Company's resulting guilty pleas in Clean Water Act proceedings brought by the federal government (*id.*), these events – which the Company acknowledges are serious and for which the Company has taken full responsibility – are not part of the actual cost recovery issues posed in these cases.⁴ It is undisputed that costs resulting from the Dan River spill, fines and penalties imposed as a result of the guilty pleas, and any other fines or penalties arising from alleged environmental violations were all excluded from the Company's cost recovery proposal. (DEC R p 1033; DEP R p 622). The Public Staff, the agency required by the Public Utilities Act to audit utility rate requests and recommend adjustments (DEC R p 1142), found no instance in which such costs were included in Duke Energy's cost recovery requests. (DEC R p 1057; DEP R p 642).

As to the actual coal ash basin closure costs incurred by Duke Energy during the applicable Recovery Period, the Commission found that with one minor exception⁵ such costs were known and measurable, were reasonable and prudently incurred, and were used and useful in connection with the provision of service to Duke Energy's customers. (DEC R p 1090; DEP R p 667). Based on these findings,

⁴ Indeed, they are relevant only to the extent that the Commission referred to them in fashioning the management penalty it imposed upon Duke Energy in these cases – \$70 million in the case of DEC (DEC R p 1032) and \$30 million in the case of DEP (DEP R p 621). No party has appealed from the Commission's imposition of these penalties.

⁵ The Commission disallowed \$9.5 million of expense from DEP's cost recovery request. (DEP R p 666).

the law requires the recovery of these costs in rates, apart from the management penalty that the Commission imposed and from which no party has appealed.

The Commission further found that the coal ash basin closure costs incurred by Duke Energy during the applicable Recovery Periods were appropriately deferred and appropriately subject to ARO accounting. (DEC R pp 1107-1117; DEP R pp 617-20, 673). As such, these costs “are eligible for deferral and amortization and for earning on the unamortized balance.” (DEP R p 675). The Public Staff and its witnesses expressly recognized that the Commission may authorize a rate of return on these deferred costs. (DEC T Vol 22, p 78 (“the Commission can approve a regulatory asset to capture [deferred coal ash closure costs,] and even provide for a return on them due to the deferral of their recovery (by including them in rate base or otherwise providing for carrying costs)”); *Id.* at 137-138 (opinion of Public Staff’s Chief Counsel that Commission has discretion to provide for recovery of deferred expenses and to allow a rate of return on this regulatory asset)). Not only is Duke Energy to be afforded recovery of the costs incurred, the Commission acted appropriately in affording the Company a fair rate of return on those costs.

Accordingly, the Commission’s Orders should be affirmed in their entirety.

STANDARD OF REVIEW

On appeal, the rates set by the Commission are presumed to be just and reasonable. N.C. Gen. Stat. § 62-94(e). The Commission’s findings of fact are conclusive if supported by competent, material and substantial evidence. *State ex rel. Utils. Comm’n v. Gen. Tel. Co.*, 281 N.C. 318, 336, 189 S.E.2d 705, 717 (1972).

The credibility of witness testimony and the reliability of an expert's opinion are for the Commission to determine, not for this Court. *State ex rel. Utils. Comm'n v. Edmisten*, 291 N.C. 575, 584, 232 S.E.2d 177, 182 (1977). Therefore, the "party attacking rates established by the Commission bears the burden of proving that they are improper." *State ex rel. Utils. Comm'n v. Pub. Staff-N.C. Utils. Comm'n*, 323 N.C. 481, 491, 374 S.E.2d 361, 366 (1988). This Court may only reverse the Commission if the Commission has violated the Constitution, exceeded its statutory authority or jurisdiction, conducted unlawful proceedings, committed an error of law, acted arbitrary or capriciously or if its decision is not supported by substantial evidence. N.C. Gen. Stat. § 62-94(b).

ARGUMENT

There are two basic questions presented in these consolidated appeals. The first implicates basic cost recovery principles: Whether the Commission erred in allowing Duke Energy to recover the coal ash basin closure costs incurred during the applicable Recovery Period, and which the Commission determined were reasonable and prudent (*i.e.*, all such costs save \$9.5 million disallowed for DEP) in rates. The answer to this question is "No" – the Commission did not err in its cost recovery determination.

Appellants come at this question from different directions. The Attorney General (and, derivatively through incorporation by reference, Sierra Club) insist that Duke Energy failed to carry its burden of proof to show that the costs incurred were reasonable and prudent. This is addressed in Section I of this Brief. Duke

Energy has demonstrated through analysis of the Commission’s actual findings, which are conclusive and supported by substantial evidence, that it did meet its burden; indeed, it exceeded its burden through submission of evidence that the Commission characterized as “compelling.” (DEC R p 1110). “Compelling” evidence certainly meets the “substantial evidence” test.

The Public Staff does not contest the Commission’s findings that the costs at issue were reasonable and prudent. Rather, it argues that the Commission should have adopted its “equitable sharing” framework so as to share those reasonable and prudent costs between the Company’s shareholders and customers. This is addressed in Section IV of this Brief. The central problem with the Public Staff’s argument – and one with which it simply ignores – is that by Staff’s own admission, “equitable sharing” is discretionary with the Commission. The Commission explicitly declined to exercise this discretion so as to achieve the arbitrary rates outcome desired by Public Staff, and Public Staff has not even attempted to show that the Commission abused the discretion that Public Staff argues the Commission possesses. Further, the Commission correctly expressed doubt as to the lawfulness of the “equitable sharing” approach, finding that it was inherently arbitrary and therefore of questionable legality.

Sierra Club (and only Sierra Club) argues that cost recovery should be denied because Duke Energy allegedly has run afoul of N.C. Gen. Stat. § 62-133.13, which bars electric utilities from recovering in rates the costs related to discharges to surface water – *i.e.*, Dan River-type discharges. This is addressed in Section V. The

short answer is that Sierra Club misreads the statute and ignores the complete absence of any link between the coal ash basin closure costs for which recovery was sought in these cases and surface water impairment. No part of the costs incurred were for surface water remediation, and it is undisputed that all costs of the Dan River spill were in fact borne by shareholders.⁶

The second question presented by these consolidated appeals relates to the propriety of a return on the reasonable and prudent costs incurred by Duke Energy: Whether the Commission erred in allowing this return. Here again the answer is “No” – the Commission did not err in authorizing a return on the funds expended by Duke Energy’s investors (both debt and equity) and reasonably and prudently incurred in order to comply with coal ash management standards that arose from a change in the law with which the Company had to comply.

Appellants’ principal argument is that the coal ash basin closure costs incurred by Duke Energy are properly categorized as “expenses” rather than “property used and useful” in the provision of service to customers, and, therefore, do not merit a return. This is addressed in Sections II and III of this Brief. Appellants impermissibly restrict the plain meaning of the word “property” and completely

⁶ While it is not completely clear whether he is still making this argument, to the extent that the Attorney General continues to insist that because Duke Energy “caused” CAMA its CAMA-related costs should be disallowed, this issue is addressed in Section VI of this Brief. Intent of legislation enacted by the General Assembly is determined from the text of the legislation itself (which makes no mention whatsoever of any role by Duke Energy in “causing” its enactment), and the “Duke caused CAMA” argument has no bearing on the propriety of cost recovery in these cases.

ignore crucial facts – first, that the costs were deferred, and therefore never in rates prior to the effective date of the rate adjustments ordered in these cases; second, that the costs were accounted for in AROs, and, therefore, appropriately capitalized in accordance with GAAP and FERC rules; and third, that rather than being brought into rates all at once upon the effective date of the rate adjustment, they were a rate mitigation measure amortized over a five-year period. Under these circumstances, the Commission was fully justified and committed no error in authorizing a return on the capital invested by the Company’s debt and equity investors to front the coal ash basin closure costs reasonably and prudently incurred during the five-year amortization period over which these costs are being brought into rates.

Accordingly, the DEP and DEC Rate Orders at issue in these appeals should be affirmed.

I. DUKE ENERGY MET ITS BURDEN TO SHOW THAT COAL ASH BASIN CLOSURE COSTS WERE RECOVERABLE IN RATES

The first issue presented in the Attorney General’s appeal is whether the Commission erred in allowing the coal ash basin closure costs Duke Energy incurred in the applicable Recovery Periods to be recovered in rates. (AG Br. p 2). That, is, the Attorney General challenges the Commission’s determination that Duke Energy was entitled to recovery of those costs. The Public Staff does not make this argument. This is a straightforward cost recovery issue. The law governing cost recovery is well established, and the Commission’s articulation of the general legal framework (*see* DEC R pp 1081-82) is correct.

A. The General Legal Framework for Recovery of Costs.

A central operating principle underlying utility rate regulation in North Carolina (and virtually all other jurisdictions) is that the utility's costs are recoverable in rates. As two of the leading modern commentators on utility regulation put it in the opening paragraphs to a chapter (titled "The Role of the Revenue Requirement") in their treatise on utility regulation:

No firm can operate as a charity and withstand the rigors of the marketplace. To survive, any firm must take in sufficient revenues from customers to pay its bills and provide its investors with a reasonable expectation of profit Regulated firms are no exception. They face the same constraints

A basic concept underlying all forms of economic regulation is that a regulated firm must have the opportunity to recover its costs. ... Without the opportunity to recover all of its costs and earn a reasonable return, no regulated private company can attract the capital necessary to operate.

Jonathan A. Lesser & Leonardo R. Giacchino, *Fundamentals of Energy Regulation* 39 (Pub. Utils. Reports, Inc., 1st. ed., 2007) ("Lesser & Giacchino").

Lesser & Giacchino refers to the concept of cost recovery as the "revenue requirement" (*id.*), and the North Carolina Supreme Court has also acknowledged the revenue requirement's central role in utility ratemaking. In *State ex rel. Utils. Comm'n v. Thornburg*, 325 N.C. 484, 490, 385 S.E.2d 463, 466 (1989) (*Thornburg II*) and *State ex rel. Utils. Comm'n v. Thornburg*, 325 N.C. 463, 467 n.2, 385 S.E.2d 451, 453 n.2 (1989) (*Thornburg I*), this concept is stated to be embedded in the statutory rate making formula, and, indeed, expressed formulaically:

This statute [N.C. Gen. Stat. § 62-133] requires the Commission to determine the utility's rate base (RB), its reasonable operating expenses (OE), and a fair rate of return on the company's capital investment

(RR). These three components are then combined according to a formula which can be expressed as follows:

$$(RB \times RR) + OE = \text{REVENUE REQUIREMENT}$$

To be sure, costs are not recoverable simply because they are incurred by the utility. Rather, the utility must show that the costs it seeks to recover are (1) “known and measurable”; (2) “reasonable and prudent”; and (3) in the case of property for which a rate of return is being requested, “used and useful” in the provision of service to customers. N.C. Gen. Stat. § 62-133(b)(1); *Thornburg I*, 325 N.C. 463, 475, 385 S.E.2d 451, 457 (1989). But once it has shown that these metrics are met, the utility is entitled to recover the costs so incurred. *See* N.C. Gen. Stat. § 62-133(b)(5). There is no issue in these appeals with respect to whether the coal ash basin closure costs for which Duke Energy seeks recovery in these cases are “known and measurable”; indeed, Duke Energy exhaustively documented those costs and demonstrated that they were in fact incurred. The “used and useful” concept is more properly associated with a return on costs incurred (or property employed) in connection with service to customers. *See Thornburg I*, 325 N.C. at 475, 385 S.E.2d at 457. Accordingly, the “used and useful” nature of the coal ash basin closure costs incurred by Duke Energy is addressed in Section II, below. Thus, the question of whether the costs at issue here are “reasonable and prudent” is the crux of the Attorney General’s challenge to recovery of these costs.

The Commission correctly analyzed the concept of “reasonable and prudent.” (DEC R pp 1082-83). It looked to its own precedent and that of this Court to frame the analysis of how to determine whether coal ash basin closure costs incurred by

Duke Energy during the applicable Recovery Period were “reasonable and prudent.” In doing so, it relied upon its own decision in *Order Granting Partial Increase in Rates and Charges*, N.C.U.C. Docket No. E-2, Sub 537, 1988 WL 391130, 94 P.U.R.4th 353 (5 August 1988) (the “1988 DEP Rate Order”), in which the Commission’s prudence analysis was affirmed by this Court in *Thornburg II*. See 325 NC at 489, 385 S.E.2d at 466 (finding “no error” in that portion of the Commission’s decision).

The 1988 DEP Rate Case Order’s analysis begins with the proper standard for judging prudence: “[W]hether management decisions were made in a reasonable manner and at an appropriate time on the basis of what was reasonably known or reasonably should have been known at that time. ... [T]his standard ... must be based on a contemporaneous view of the action or decision under question. Perfection is not required. Hindsight analysis – the judging of events based on subsequent developments – is not permitted.” 1988 DEP Rate Order at 368.

Further, challenging prudence requires a detailed and fact-intensive analysis, and the challenger is required to: (1) identify specific and discrete instances of imprudence; (2) demonstrate the existence of prudent alternatives; and (3) quantify the effects by calculating imprudently incurred costs. Specifically,

- A decision cannot be imprudent if it represents the only feasible way to accomplish a necessary goal.
- The Commission can only disallow imprudent *expenditures* – that is, actions that are both imprudent and that bear an economic impact on

customers. In turn, actions (even if imprudent) with no economic impact upon customers are of no consequence. Thus, identification of an imprudent action or inaction is not by itself sufficient; rather, there must be a demonstration of the economic impact.

- The proper amount chargeable to customers is what the expenditure would have been absent the imprudent acts or decisions of management.

Id.

In these cases, under the prudence framework as articulated by the Commission in the 1988 DEP Rate Case Order and as affirmed by this Court in *Thornburg II*, the Commission determined that the entirety of the coal ash basin closure costs during the applicable Recovery Period were reasonable and prudently incurred, with the exception of \$9.5 million in costs incurred by DEP. The Public Staff does not challenge in these appeals the Commission's prudence decision or the prudence framework the Commission articulated.

The Attorney General, on the other hand, does – or at least appears to – challenge the prudence framework as articulated by the Commission. (*See* AG Br. p 62). He argues, incongruously, that the framework is based merely upon a stipulation of the parties in the 1988 DEP Rate Case, as though being based upon a stipulation somehow deprives the framework of any precedential force. His argument is far too limited however, and he utterly ignores critical factors supporting the prudence framework. First, he ignores the fact that, even if originally based upon

a stipulation the Commission independently “agreed,” that the framework was the “type of approach ... required if the prudence standard is to have any meaningful application.” 1988 DEP Rate Order at 368. Second, he ignores the fact that this Court found “no error” in the Commission’s articulation of the prudence framework. *Thornburg II*, 325 N.C. at 489, 385 S.E.2d at 466.

While seeming to (at least obliquely) challenge the prudence framework, the Attorney General does not actually argue that the Commission’s articulation of it is wrong as a matter of law. Nor could he – because it is not wrong. Prudence as a concept is not in the exclusive province of utility regulation. For example, prudence underpins the Business Judgment Rule, “which recognizes that directors often make important decisions under fluid and uncertain circumstances and that a court must be loath to review such judgments on the basis of *ex post* judicial hindsight.” *Ehrenhaus v. Baker*, 2008 NCBC 20; 2008 WL 5124899 at *12 (NC Super. Ct. Dec. 5, 2008), *citing Hammonds v. Lumbee River Elec. Mbrshp. Corp.*, 178 N.C. App. 1, 20-22, 631 S.E.2d 1, 13 (2006). So too, the application of the “prudent man” standard in an ordinary negligence case is judged by the circumstances in which the allegedly negligent actor found himself at the time of the incident, not in hindsight. *See, e.g., Pintacuda v. Zuckeberg*, 159 N.C. App. 617, 623, 583 S.E.2d 348, 352 (2003) (determining that a negligence analysis “do[es] not judge people’s actions based on ‘20-20 hindsight.’ Rather, [it] ask[s] whether a person’s actions were reasonable in light of the circumstances at the time of the actions”), *rev’d on other grounds*, 358 N.C. 211, 593 S.E.2d 776 (2004). The prudence standard as articulated

by the Commission thus not only was affirmed by this Court in *Thornburg II*, it comports with the manner in which North Carolina appellate courts have analyzed prudence generally.

In summary, the Commission made no error of law in its articulation of the basic cost recovery framework; indeed, its articulation is in full accord with utility regulation generally and the decisions of this Court applying N.C. Gen. Stat. § 62-133 specifically. No party, except the Attorney General, disputes the Commission's articulation and application of the "reasonable and prudent" standard for cost recovery, and this Court should therefore affirm the Commission's articulation and findings.

B. Burden of Proof.

In addition to his implicit challenge to the Commission's application of the "reasonable and prudent" standard discussed above, the Attorney General also attempts to show that Duke Energy failed to carry its ultimate burden of showing that the coal ash basin closure costs it sought to recover were reasonable.

The Attorney General attempts to deny cost recovery by employing the well-established burden of proof framework governing utility ratemaking in general and cost recovery in particular. The Commission itself re-capped this framework:

The burden of proof to show that rates are just and reasonable is always on the utility. See N.C. Gen. Stat. § 62-134(c). But intervenors have a burden of production in the event that they dispute an aspect of the utility's prima facie case. See, e.g., *State ex rel. Utils. Comm'n v. Conservation Council*, 312 N.C. 59, 64 (1984) (utility's costs are "presumed to be reasonable" unless challenged); *State ex rel. Utils. Comm'n v. Intervenor Residents of Bent Creek/Mt. Carmel Subdivisions*, 305 N.C. 62, 76 (1982) ("The burden of going forward

with evidence of reasonableness and justness arises only when the Commission requires it or affirmative evidence is offered by a party to the proceeding that challenges the reasonableness of expenses....”). If the intervenor meets its burden of production, of course, the ultimate burden of persuasion reverts to the utility, in accordance with N.C. Gen. Stat. § 62-134(c).

(DEC R p 1089).

The Attorney General does not argue that the burden of proof framework articulated by the Commission is in error. Rather, he argues that having put forward some evidence of *past* (*i.e.*, decades-old alleged acts or omissions, occurring long before the applicable Recovery Periods at issue in these cases) imprudence in Duke Energy’s handling and management of coal ash, the Attorney General and other Intervenors shifted the burden to Duke Energy to untangle the alleged economic impact caused by such past imprudence upon the current costs, incurred solely within the applicable Recovery Period.

The Attorney General did not and could not allege that the Company had committed any act of imprudence related to the actual costs being sought for recovery in the proceedings below because his own expert witness (Wittliff) made no such determination. Witness Wittliff stated that costs incurred by the Company to comply with the CCR Rule are reasonable and prudent. (DEC T Vol 11, pp 282-83). He admitted that he did not identify any specific costs that could have been lower or should be disallowed. (*Id.* at 287-89; DEC R p 1043).

Rather, the Attorney General asserts that Duke Energy failed to retrofit its unlined coal ash ponds by installing liners long before any regulation requiring their

installation was promulgated. But this puts Duke Energy in an impossible position.

As the Commission noted:

Had DEC acted prematurely in anticipation of regulations under consideration but not yet implemented, with the expenditure of substantial sums in the process, and with the ultimate EPA decisions differing from those anticipated, DEC risked unjustified expenditures. In 2015, the EPA announced the Clean Power Plan. Had electric utilities incurred costs prematurely to comply, these costs could have been called into question when the U.S. Supreme Court stayed the Clean Power Plan. Even today efforts to soften the impact of the EPA CCR Rule are under consideration by the current administration. If effectuated, anticipated cost recovery may change in the future.

(DEC R p 1137). In the DEP case the Commission made the same finding. (DEP R pp 679-80).

Despite attempting to put Duke Energy into this impossible position, the Attorney General nevertheless insists that the burden of proof shifted to the Company to prove that every action it took or did not take after the time it should have retrofitted in anticipation of unknown future regulation was reasonable. As the Commission put it, the Attorney General argues that Duke Energy “should bear the burden to disprove why disallowances to its ... [applicable Recovery Period] CCR remediation costs should not be accepted.” (DEC R p 1084). This is a remarkable proposition for which, as the Commission held, the Attorney General “cites no authority.” (*Id.*)

In these proceedings, Duke Energy presented evidence, accepted by the Commission, that its actions were reasonable and prudent, its costs incurred were known and measurable, and that the capital provided by investors was used and useful in the provision of service to its customers, and as such the Company was

entitled to recover its coal ash basin closure costs incurred during the applicable Recovery Period. Duke Energy's evidence showed that it had managed its coal ash basins in the manner required by applicable regulations and consistent with industry standards prior to the promulgation of the CCR Rule and the enactment of CAMA; that the change in law wrought by the CCR Rule and CAMA caused it to manage coal ash differently, and so it changed its ash handling practices as a result; and that it prudently and at reasonable cost conformed its practices to the new legal requirements. (*See* pp. 28-33, below). The evidence further showed that Duke Energy met the standards for deferral of the costs incurred in the applicable Recovery Period, and that those costs were appropriately accounted for in an ARO. (*See* pp. 45-48 and 48-58, below). The Commission was persuaded by this evidence, and so Duke Energy prevailed and was awarded recovery of those costs in rates, as well as a return on those costs.

The Attorney General's theory of the case was that Duke Energy should not have stored CCRs in unlined basins (AG Br. pp 46-50); that it acted unreasonably in managing those basins in any event (*id.* at 50-52); and that, therefore, it should be allowed no recovery of its coal ash basin closure costs. The Commission was not persuaded by the Attorney General's presentation or his evidence and rejected his theory of the case. There is nothing in the rate making burden of proof framework that would require Duke Energy either to disprove the Attorney General's theory, or to adduce evidence to try and refute it. Duke Energy carried its burden, and it is therefore entitled to recover these expenditures.

Even if there is evidence in the record supporting the Attorney General's theory of the case, that simply is of no moment. In *State ex rel. Utils. Comm'n v. Eddleman*, 320 N.C. 344, 355, 358 S.E.2d 339, 347 (1987), this Court held that its "statutory function is not to determine whether there is evidence to support a position the Commission did not adopt. We ask, instead, whether there is substantial evidence, in view of the entire record, to support the position that the Commission *did* adopt." (Emphasis in original).

When the proper question – is there substantial evidence to support the Commission's determination – is asked, the answer is clearly "Yes."

In fact, even one of the dissenting Commissioners acknowledged that the Attorney General's burden of proof arguments went too far. First, Commissioner Clodfelter identified the logical consequence of the Attorney General's approach to the burden of proof issue: "[D]enying the Company all cost recovery for failure to carry its burden of proof would have severe financial consequences for the Company and would, as the majority points out, likely lead to the Company's having to pay even higher costs to secure equity and debt financing for future operations and investments, a result that would significantly harm ratepayers." (DEP R p 731). He went further, indicating also that such a result "would, I believe, fail the fundamental test set out in G.S. 62-133(a), requiring that the Commission's determination of rates be fair and reasonable not only to objecting parties and ratepayers, but also to the Company." (*Id.* at 731-32).

Second, dissenting Commissioner Clodfelter pointed out, “Complete disallowance of all coal ash disposal cost recovery on the ground that the Company has failed to carry its burden of proof also flies in the face of common sense. Had the Company’s management of coal combustion wastes resulted in no exceedances of the state’s 2L groundwater standards, no violations of any NPDES permits, no criminal prosecutions, and no civil or administrative lawsuits, the record taken as a whole shows that the Company would eventually have been required to undertake many or even most of the ash disposal activities now required of it by the CCR Rule and CAMA.” (*Id.* at 732). Of course, a decision on rate setting or cost recovery that “flies in the face of common sense” could not possibly be characterized as resulting in “just and reasonable” rates, fair to customers but also to the utility.

C. Substantial Evidence Supports the Commission’s Determination that Duke Energy was Entitled to Recovery of Coal Ash Basin Closure Costs.

The Commission’s findings of fact are conclusive if supported by competent, material and substantial evidence. *State ex rel. Utils. Comm’n v. Gen. Tel. Co.*, 281 N.C. 318, 336 (1972). “Substantial” evidence is “more than a scintilla or a permissible inference ... [and] means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.” *State ex rel. Utils. Comm’n v. Carolina Utility Customers Ass’n*, 348 N.C. 452, 460 (1998). In these cases, the Commission’s factual determinations are amply supported by the evidence.

In *State ex rel. Utils. Comm’n v. Cooper*, 366 N.C. 484, 739 S.E.2d 541 (2013) (“Cooper I”), this Court faulted the Commission for failing to weigh conflicting

evidence and, instead, merely summarizing that evidence and then announcing a conclusion. *Id.* at 493, 739 S.E.2d at 547. No such criticism may be leveled against the Commission with respect to the 2018 DEC Rate Case Order or the 2018 DEP Rate Case Order. As the Commission itself stated (DEP R p 621, DEC R p 1032), it “carefully considered all of the evidence, and the record as a whole” including all parties’ post-hearing briefs, even though its Orders did not expressly address “every contention advanced or authority cited.” These statements are supported by an examination of the Orders themselves. In the DEC Order, the discussion of coal ash cost recovery totals 118 pages, including 48 pages summarizing the extensive evidence submitted by all parties, and fully 67 pages of Commission discussion and determinations. For the DEP Order, the corresponding figures are 69 total pages, 35 pages summarizing the evidence, and 29 pages of discussion and determinations. In both Orders, the Commission thoroughly set out the contentions of the parties, its findings, the reasons for those findings, and the weight and credibility determinations it made in reaching the conclusions it reached. Inasmuch as its factual determinations are indeed based upon substantial evidence, those findings are conclusive and may not be disturbed on appeal.

Moreover, the Commission’s findings support all the factual predicates necessary to support the Commission’s conclusion – that Duke Energy had carried its ultimate burden of proof to show that the coal ash basin closure costs it incurred during the applicable Recovery Periods were recoverable in rates. With respect to recovery of the costs themselves, the factual predicate is that they were reasonable

and prudently incurred in order to comply with the new legal obligations imposed upon Duke Energy as a result of the promulgation of the CCR Rule and the enactment of CAMA.⁷

A detailed analysis of the evidence supporting the Commission’s ultimate conclusion that the coal ash basin closure costs were reasonable and prudently incurred follows. As is readily apparent, the evidence goes well beyond even “substantial.” Indeed, as the Commission found the evidence in support of its conclusion is “compelling.” (DEC R p 1110). Accordingly, the Commission’s determination that the coal ash basin closure costs incurred by Duke Energy during the applicable Recovery Periods are recoverable in rates must be upheld.

In the DEC Case, the Commission found that DEC “met its burden – both the prima facie burden of production and the ultimate burden of persuasion – of showing that the coal ash basin closure costs it actually incurred from 1 January 2015 through 31 December 2017 are recoverable and that a return, but one reduced to recognize a mismanagement penalty,^[8] is warranted, and that the Commission with contrasting evidence on the merits, with exception addressed below, authorizes recovery.” DEC R p 1090. In the DEP case, the Commission similarly concluded that DEP’s “coal ash basin closure costs actually incurred over the period from 1 January 2015 through 31 August 2017 are (a) known and measurable, (b) reasonable and prudent,

⁷ Duke Energy addresses the factual support for the issue of a return on these costs in Section II, below.

⁸ The propriety of the management penalty is unchallenged by any party to this appeal.

and (c) used and useful, and, as such, that it is entitled to recover those costs [again, net of the DEP management penalty] in rates.” (DEP R p 667).

In arriving at these findings, the Commission first determined that Duke Energy’s pre-CCR Rule and pre-CAMA management historical practices “have generally comported with industry practices and then-applicable regulations, especially in this region of the country.” (DEC R p 1090). The Commission considered the testimony of Duke Energy witness Kerin who testified that Duke Energy’s coal ash practices were in line with industry peers and no other party was able to “specify how the Company should have acted differently in managing its coal ash, at which sites it should have taken those actions, and how much those actions would have cost the company.” (*Id.*) The Commission also noted that Attorney General witness Wittliff presented “no credible evidence” showing that Duke’s “engineering and design of its impoundments was not consistent with industry practice and regulatory requirements at the time, other than his own, subjective judgments.” (*Id.*) In fact, the Commission found that many of the documents produced by intervenors to challenge the appropriateness of Duke Energy’s coal ash management demonstrated historically similar coal ash management practices, and thus supported in part the Company’s position, for example:

- Los Alamos Laboratory Report (1979): “Much of the ash produced by coal ash combustion is discharged into ash ponds.” (DEC Doc. Ex. 1414).
- EPRI Coal Ash Disposal Manual (1981): No coal ash was landfilled in either North or South Carolina; rather, all of it was stored in ponds. (DEC

Doc. Ex. 4186). Further, 81% of the coal ash produced in the Southeast was placed in ponds. (*Id.* at 3-8).

- EPA Report to Congress (1988): This Report (DEC Doc. Ex. 6367) confirms that the Company's disposal of coal ash in ponds conformed in large measure to industry practice. The Report refers to ponds as "surface impoundments" (*Id.* at 4-11, and notes that CCR waste management practices varied by region, and that in the South (EPA Region 4, which includes North and South Carolina) 95% of the plants manage their CCRs on-site. *Id.* at 4-23). The Report continues, "On-site management is common because utilities in this region often use surface impoundments, which are typically located at the power plant." (*Id.*) It noted further that "access to abundant, inexpensive supplies of water ... [in Region 4⁹] often made it economical to use this management option." (*Id.* at 4-20).

(DEC R p 1091). The Commission concluded that compelling evidence established that Duke Energy's coal ash management practices were in line with industry practice:

The 1988 EPA Report also indicates that "until recently, most surface impoundments and landfills used for utility waste management have been simple unlined systems," and that "liner use has been increasing in recent years." Intervenors point to these statements to argue that the Company's continued use of unlined ponds was outside standard industry practice and is otherwise imprudent. The Commission disagrees. The Report notes, for example, that 87% of surface impoundments were unlined, and that neither North Carolina nor South Carolina required liners. It also notes that one-fifth of waste generated

⁹ Both North Carolina and South Carolina are in EPA Region 4.

by coal-fired power plants was reused, and “the remaining four-fifths are typically disposed in surface impoundments or landfills.” The Report thus validates witness Kerin’s testimony that “unlined basins were the industry standard” at that time. As he stated, “the EPA report focused on new landfills and surface impoundments, while DEC last constructed a new ash basin in 1982.” This was six years before the EPA Report was submitted to Congress. As witness Kerin stated further, in the DEP case AGO witness Wittliff testified that the majority of utilities continued to use unlined wet ash impoundments even after this timeframe, “because [t]he law allowed them to do it, and the law continued to allow them to do it.” Finally, witness Kerin’s conclusion is supported by the preamble to the CCR Rule itself.

(*Id.* (transcript citations omitted)). The Commission also noted ample evidence in the DEP Case, particularly from witness Kerin, that DEP’s coal ash management was in line with industry practice. (DEP R p 627).

Second, the Commission found that Duke Energy witness Kerin’s testimony “established that in large measure the costs were reasonable and prudent.” (DEC R p 1092). The Commission gave great weight to witness Kerin’s testimony finding that he was “credible, demonstrated command of the subject matter (he testified, after all, that he had ‘lived’ with that ‘company-specific subject matter every day for the past four years’), and the Commission determined in the 2018 DEP Rate Order that he has ‘lived’ this project since its inception,’ and the Commission concludes that his conclusions were not dislodged after being subjected to vigorous cross-examination.” (DEC R p 1092 (transcript citations omitted)). The Commission noted that witness Kerin provided “narrative summaries as to why, in his view, these costs were incurred and why the compliance actions which led to those costs were the most reasonable and cost-effective options given the applicable facts and circumstances. He maintained that [Exhibits 10 and 11 to his testimony], coupled

with the balance of his testimony and exhibits, demonstrate that these costs are reasonable and prudent.” (DEC R p 1038; DEP R p 626). The Commission also noted that even Attorney General witness Wittliff, in contradiction with the Attorney General’s theory of the case, agreed that the costs incurred by the Company to comply with the CCR Rule were reasonable and prudent. (DEC R pp 1043, 1094).

Third, the Commission determined that these coal ash basin closure costs for which Duke Energy sought recovery were incurred to comply with the CCR Rule and CAMA. It noted that witness Kerin’s testimony and “supporting exhibits describe costs expended to facilitate the Company’s handling and storage of coal ash, so as to conform to the new legal requirements imposed on the Company resulting from the promulgation of the CCR Rule and the passage of CAMA.” (DEC R pp 1092-93). Further, the Commission noted that “capital expenditures undertaken to enable compliance with the law qualify as ‘used and useful,’ in that the Company does not have the option to fail to comply, and, as indicated in the testimony of Company witness Wright, are routinely recoverable in rates.” (DEC R pp 1092-93).

The Commission also extensively discussed the specific prudence challenges raised by the Public Staff. Witnesses Lucas (in the DEP Case) and Junis (in the DEC Case) predicated their disallowance recommendations on Duke Energy’s entry into a settlement agreement with North Carolina’s environmental enforcement agency, the Department of Environmental Quality (“DEQ”), contending that the settlement equated to an admission of liability by Duke Energy. The Commission had

separately noted that Attorney General witness Wittliff “testified that the definition of industry standards is compliance with law” (DEP R p 663), and rejected the Public Staff’s attempt to equate entry into a settlement with violation of law, holding that North Carolina law does not countenance such a conclusion and that the Public Staff itself had disavowed it in prior proceedings. (DEC R pp 1119-20; DEP R p 659). Public Staff witnesses Garrett and Moore testified that the Commission should disallow hundreds of millions of dollars in costs, based upon their review of Duke Energy’s specific actions (or inactions) relating to its CCR/CAMA compliance, but these recommendations too were rejected by the Commission.¹⁰ Characterizing some of the Garrett and Moore recommendations as “‘perfect world’ scenarios” (DEC R p 1133; DEP R p 665), and thus infected by hindsight, the Commission noted that:

In the 1988 DEP Rate Order, this Commission stressed the importance of carefully examining the Company’s explanations of the decisions it made, as of the time they were made, and emphasized the credibility of the decision-makers, particularly in juxtaposition to after-the-fact analyses presented by Intervenor-retained consultants. *See, e.g.*, 1988 DEP Rate Order, at 29. The Commission certainly does not question the bona fides or expertise of Garrett and Moore; indeed, witness Kerin notes (and appreciates) that they “conducted a thorough and principled analysis” of the Company’s CAMA/CCR Rule compliance costs, and that he agreed with “the majority of their conclusions.” (Tr. Vol. 20, p. 56.) Kerin, however, has “lived” this project since its inception (*id.* at 32), and his testimony regarding the decisions made is entitled to great weight – more weight than post hoc evaluations from Garrett and Moore.

¹⁰ The Commission did agree that a \$9.5 million disallowance for imprudence should be applied to the DEP recovery (DEP R p 666) and that disallowance has not been challenged on appeal.

(DEP R pp 665-66; *see also* DEC R pp 1126-27). In doing so the Commission expressly rejected the Garrett and Moore disallowances “based upon the testimony of Company witness Kerin, which the Commission credits and to which the Commission attaches great weight.” (DEC R p 1126.)

The Commission also noted that some of the Garrett and Moore recommendations were infeasible. (*See, e.g.*, DEC R p 1128; DEP R p 664). It held, consistent with the 1988 DEP Rate Case Order that provides the appropriate prudence framework, that “infeasible options” do not support a finding of imprudence. (DEC R p 1130; DEP R p 666). No party to these appeals, certainly not the Public Staff, whose positions the Commission rejected, takes issue with these findings and conclusions.

The Commission did not just accept Duke Energy’s evidence on its face, but also carefully considered and analyzed the intervenor challenges to cost recovery, namely that the costs are not “reasonable and prudent” and “used and useful” or that the costs should be shared among shareholders and customers. (DEC R p 1033; DEP R p 622). For example, the Attorney General argues in these appeals that the Commission erroneously abdicated its duty to assess whether illegal conduct is unreasonable and disallow costs related to illegal conduct. (AG Br. pp 53-59.) The Commission is not an environmental regulator; DEQ is an environmental regulator – and DEQ (represented by the Attorney General) has never proven that the conduct of which the Attorney General complains “violated” the law. For this reason, the Attorney General’s reliance on the *Glendale Water* case (*State ex rel. Utils. Comm’n*

v. Public Staff, 317 N.C. 26, 343 S.E.2d 898 (1986), *see* AG Br. pp 53-54) is entirely misplaced. Unlike in *Glendale Water*, there was no finding in the litigation brought against Duke Energy by DEQ, or admission by Duke Energy in that litigation, that any “violation” had actually occurred.¹¹ The “evidence” of violation presented by the Public Staff rather was that settlement of the litigation was tantamount to an admission of liability (*see* p. 33, above), which the Commission found lacking.

Regardless, the Commission carefully considered this argument raised by the Public Staff and determined that based on the evidence reviewed, “with the exception of the federal criminal case to which DEP pled guilty, DEP had not been found liable for violations of the law” and in regard to the seeps located at its ash basin sites, the Commission noted that “DEQ and DEP have been in long-standing negotiations as to whether seeps are a violation of law” and “DEQ has currently not made a determination on this issue.” (DEP R p 663). The Commission found Duke Energy witness Wells testimony “persuasive” and “instructive” on this issue in coming to its determination “that any past violations by the Company do not give support to the amount of cost disallowances advocated by the intervenors and Public Staff in this case.” (DEP R pp 661, 663). Specifically, in reaching its conclusion, the Commission relied on testimony provided by witness Wells, who indicated that

¹¹ The Attorney General’s hyperbolic characterizations of the Commission’s actual findings are, of course, entitled to no weight whatsoever. *See, e.g.*, AG Br. p 53 (Commission “concluded that it is legal under the 2L rules to pollute groundwater”). The Commission made no such finding, and the question to be answered in these appeals is “Are the Commission’s actual findings supported by substantial evidence?” The answer is “Yes.”

under the groundwater standards an exceedance does not immediately result in a Notice of Violation and penalty; rather, “the owner/operator must report the exceedance and work with the DEQ to determine whether it was due to permitted activity, assess the extent of the exceedance, and undertake corrective action.” (DEP R p 661). The exceedances are not “violations” because, as Wells testified, “the 2L rules’ corrective action provisions are designed around the idea that older facilities, built before liners were a regulatory obligation, were likely to have associated groundwater impacts, that such impacts were not the result of regulatory noncompliance, and that they should be addressed in a measured process.” (*Id.*). Concluding its discussion on this issue, the Commission found Wells’ testimony persuasive:

[T]he groundwater extraction and treatment activity that DEP performed pursuant to the DEQ Settlement Agreement merely accelerated work that would have been required under CAMA in any event. Although CAMA borrows heavily from the 2L Rules, including by incorporating the substance of its corrective action requirements, one key difference between the two laws is that CAMA’s groundwater assessment and corrective action provisions are triggered by exceedances – not violations – of the 2L groundwater standards. In other words, unlike the 2L Rules, CAMA requires utilities to perform groundwater assessment and corrective action for all identified exceedances of the 2L groundwater standards regardless of whether the exceedance amounts to a violation of the applicable groundwater standard.

(DEP R p 662 (transcript citations omitted)).

Similarly, in the DEC case, the Commission disagreed with the Public Staff’s position regarding alleged environmental violations. (DEC R p 1119). The Commission stated that it “does not find DEQ exceedance reports or SOC’s to

constitute compelling evidence of environmental violations.” (*Id.*). Consistent with its analysis of alleged environmental “violations” in the DEP 2018 Rate Case Order, the Commission specifically rejected the Public Staff’s assertion that Duke Energy’s settlement with DEQ evidenced such violations. It noted that the settlement agreement “references in its recitals a DEQ ‘Policy for Compliance Evaluations’ promulgated in 2011, and [that] it appears from the recitals and their description of that Policy that there was a very serious question as to whether any violation of the State’s groundwater standards had occurred” at all. (*Id.* p 1121). The Commission noted further that the recitals in the settlement agreement “also indicate, with the passage of CAMA, that the Company would be required to close its coal ash basins, and that CAMA ‘dictate[d], in detail a procedure for assessing, monitoring and where appropriate remediating groundwater quality in areas around coal ash impoundments in North Carolina’ ... [and that] the CAMA requirements were ‘designed to address, and will address, the assessment and corrective action’ associated with alleged groundwater contamination.” (*Id.*). Based upon this analysis, the Commission again concluded, as it had in the DEP 2018 Rate Case Order, that:

Because CAMA would require the Company to implement certain actions, the Commission determines as it did in the 2018 DEP Rate Order that it was reasonable for the parties to settle irrespective of whether the Company had committed violations of 2L Standards. Had the Company continued to litigate the matter in this circumstance, its actions may have been deemed by the Public Staff and this Commission to be imprudent, with a disallowance of the legal costs incurred in connection with continued litigation.

(*Id.*).

Witness credibility is for the Commission, not this Court, to determine. *State ex rel. Utils. Comm'n v. Edmisten*, 291 N.C. 575, 584, 232 S.E.2d 177, 183 (1977) (“The credibility of [a witness’s] testimony and the reliability of ... expert opinion based thereon are matters for the determination of the Commission, not the reviewing court.”). The Commission found the testimony of Duke Energy witnesses Kerin and Wells to be credible, probative, and worthy of acceptance. It concluded that the testimony of the Public Staff witnesses, as well as Attorney General witness Wittliff, was not persuasive. The conclusion the Commission came to, namely that Duke Energy had carried its burden of proof to show that the coal ash basin closure costs it incurred during the applicable Recovery Periods were reasonable and prudent, is supported by substantial evidence and, therefore, conclusive in these appeals. Accordingly, the Commission’s determination that recovery of those costs in rates is not error and should be upheld.

II. THE COMMISSION APPROPRIATELY AUTHORIZED A RETURN ON INVESTOR-FUNDED COAL ASH BASIN CLOSURE COSTS THAT THE COMMISSION FOUND WERE REASONABLE AND PRUDENTLY INCURRED

The second issue presented in the Attorney General’s appeal is whether the Commission erred in allowing a return on the coal ash basin closure costs Duke Energy incurred in the applicable Recovery Periods, and which the Commission determined should be recovered in rates. (AG Br. p 2). The Public Staff also makes the argument that a return is inappropriate. (Public Staff Br. pp 48-130).

Neither argument has any merit. First, the modification of the coal ash basin system stands as property that is “used and useful,” thereby justifying a return.

Second, the factual predicates underlying the propriety of a return have been met: the coal ash basin closure costs were appropriately deferred; the costs were properly capitalized as “utility plant” under ARO accounting; and the costs were paid through investor-supplied funds and have not been recovered through rates. Because these investor-funded costs will not be fully recouped through rates until the end of the five-year amortization period (*i.e.*, until 2023), the Commission appropriately allowed a return on the capital supplied by debt and equity investors to fund Duke Energy’s coal ash basin closure costs.

A. Property “Used and Useful” in the Provision of Electric Service is not Confined to Physical Plant but Encompasses all Forms of Property That Support and Provide Service to Utility Customers.

North Carolina General Statutes Section 62-133 does not define the phrase “public utility’s property used and useful.” Appellants imply that this Court should construe this phrase narrowly. The Public Staff, for example, asserts – without citation – that “‘property’ primarily means ‘utility plant’ that consists of long-lived assets used to provide utility service.” (Public Staff Br. p 51). The Public Staff refers to “property” as including “brick and mortar buildings, generators and utilities, poles, meters, and conductors such as transmission, distribution, and service wires that carry electricity from generators to customers.” (*Id.* at 50-51).

The statute does not restrict “property” to simply generators and wires. The term includes all assets necessary to provide electricity to the public. It includes, for example, inventory of fuel that should be held as a reserve, as well as cash that should be kept on hand to pay the utility’s bills as they become due. (DEC R pp 837

n.4, 824, 904). Fuel costs are normally operating expenses. In the case of reserve fuel, however, these “operating expenses” are included in the rate base (and entitled to a return on investment) because the reserves are investor-funded. In the case of cash working capital, the asset (cash reserves) does not generate electricity – but it is property that is necessary and appropriate for providing electricity to customers. What stands as “property used and useful” does not turn on whether the property generates electricity, but whether it serves the public and was paid by debt or equity investors – rather than through rates that were set in anticipation of normal operating expenses.

In *Utilities Comm’n v. Virginia Elec. & Power Co.*, 285 N.C. 398, 414-15, 206 S.E.2d 283, 295-96 (1974), this Court expressly recognized that when a utility keeps on hand a reasonable amount of shareholders’ funds (in the form of cash) to pay operating expenses, such working capital constitutes property that is used and useful in providing retail electric service and should be included in rate base. In that case, the Utilities Commission concluded that the reasonable amount of funds that VEPCO should have available to pay operating expenses as they became due was \$1.9 million. Because this cash constituted working capital provided out of shareholder equity, VEPCO was entitled to earn a return on the cash that was needed to pay operating expenses. This Court concluded:

While Chapter 62 of the General Statutes makes no reference to working capital, as such, the utility’s own funds reasonably invested in such materials and supplies and its cash funds reasonably so held for payment of operating expenses, as they become payable, fall within the meaning of the term “property used and useful in providing the service,” as used in G.S. 62-133(b) (1), and are a proper addition to the

rate base on which the utility must be permitted to earn a fair rate of return.

Id. Thus, to the extent that Appellants or their experts assert that “property used and useful” is limited to a utility’s physical plant, that position is contrary to North Carolina law. (*See* DEC T Vol 22, p 77).

The *VEPCO* decision is based on sound economics. Barring extraordinary circumstances, operating expenses are paid through electricity rates (which are set at a level to cover operating expenses). When extraordinary expenses arise that justify deferral accounting, those expenses are paid – not through electricity rates set in anticipation of those expenses – but by funds invested by the utility’s debt and equity investors. As the Public Staff notes, when operating expenses are recovered through rates, the statute does not provide for a return on investment for those operating expenses. (Public Staff Br. p 54). The Public Staff reluctantly concedes, however, that when extraordinary expenses are incurred (that were not built into rates), the Commission has discretion to allow a return on investment if those expenses have been deferred to the next general rate case.¹² (*Id.* at 55-57; *accord* DEC T Vol 22, pp 78, 137-138).

¹² This Court’s decision in *Utilities Comm’n v. Virginia Elec. & Power Co.*, 285 N.C. 398, 414-15, 206 S.E.2d 283, 295-96 (1974) provides that “the utility must be permitted to earn a fair rate of return” on working capital. Whether the Commission is required to award a fair rate of return on investor-supplied capital (or simply has the discretion to do so) is not material to the outcome of this appeal. As set out below, the Commission’s decision to allow Duke Energy a fair rate of return on coal ash basin closure costs paid through investor funds is not arbitrary and capricious. Duke Energy does not concede that the award of a fair rate of return on these expenses is discretionary – rather than mandatory. Under the Commission’s holding, however, this distinction is essentially academic.

A substantial difference exists between operating expenses that are built into rates and are paid by customers versus extraordinary costs that must be advanced by debt and equity investors. Under the Public Utilities Act, a public utility (and its investors) receives no rate of return on operating expenses that are paid by customers at or about the time the operating expenses are incurred by the utility. Because normal operating expenses are built into rates, those expenses are not investor-funded requiring a fair rate of return. When operating expenses are paid by customers (through rates) as the utility's operating expenses become due, the utility does not need to attract investor capital to fund those expenses. Consequently, there is no cost of capital associated with those operating expenses. When, however, the utility advances funds to pay for expenditures not already built into rates, that capital does not come from current rates, and is therefore investor-funded. If the utility is not allowed a fair rate of return on capital funded by its investors, the utility will be at a competitive disadvantage in raising investment funds in the future, and its borrowing costs and cost of equity capital will increase.

The new rates approved by the Commission for DEP had an effective date of 16 March 2018. The rates approved for DEC had an effective date of 1 August 2018. Rates in effect prior to those effective dates did not include the coal ash basin closure costs incurred by Duke Energy for which it sought recovery in these cases. As a result, Duke Energy through its investors advanced \$778 million (as adjusted for disallowances) to comply with the new regulatory requirements relating to coal ash basins. Duke Energy's investors will continue to incur the costs of providing these

funds until the end of the five-year amortization period (albeit in diminishing amounts as these costs are recouped over the five-year period through rates).¹³ Because this \$778 million had not been factored into the prior rates, these costs were, by definition, paid from investor funds. As the Commission concluded, the funds advanced by the utility to comply with the CCR rules and CAMA “are investor-supplied funds, not rate-payer supplied funds and under principles of equity, law and fairness are eligible for a return [on investment.]” (DEC R p 1100). The Commission recognized that failure to allow a return on investment on these investor-supplied funds would deprive investors of the time value of money on these funds. (*Id.*) Denying a return on this capital would increase the risk of investing in the Company, “ultimately increasing the Company’s cost of capital.” (*Id.*) This conclusion is grounded in the record evidence and the Commission’s expertise and cannot be fairly characterized as arbitrary and capricious. Moreover, the Commission’s explanation for why it exercised its discretion to permit a return on this investment is set out in great detail in its orders. (DEP R pp 497-498, 621-685;

¹³ As used in this rate case proceeding, “amortization” simply refers to the repayment of these capital costs over time. Here, Duke Energy proposed that the Commission authorize Duke Energy to spread over time the coal ash closure costs incurred between 1 January 2015 and 31 December 2017. Amortizing these costs over a five-year period helps to mitigate the rate impact on consumers. At the conclusion of the five-year amortization period, the utility will have recouped these costs (including investment opportunity costs), and these costs will no longer be included in rates. Conversely, if the closure costs had been immediately added to rates as they were paid by the utility, there would be no costs advanced by shareholders and no increase in the capital cost of plant utilities. As reflected by the absence of objections to Duke Energy’s request for a deferred accounting, the Commission and all interested parties believed that consumers would be better served by amortizing these costs over time rather than asking ratepayers to fund these expenses as they were incurred.

DEC R pp 847-848, 1031-1147). The funds supplied by Duke Energy and its investors are therefore “property used and useful” in the provision of service to customers.

B. The Commission Appropriately Authorized Deferral of Coal Ash Basin Closure Costs for Later Inclusion in Rates.

The Commission’s decision to defer Duke Energy’s coal ash basin closure costs is not challenged in these appeals. Nevertheless, it is a critical building block for the Commission’s decision to allow Duke Energy a return on such costs. The Commission’s deferral determinations in these cases are supported by substantial evidence and are fully in compliance with applicable legal precedent.

1. Substantial Evidence Supports the Commission’s Authorization of the Deferral.

In Docket No. E-2, Sub 1103 (“DEP Deferral Docket”), DEP requested that the Commission issue an accounting order deferring its coal ash basin closure costs. (DEP R p 617). That Docket was consolidated with the DEP Rate Case, and in the DEP Rate Case Order the Commission held that deferral of prudently incurred coal ash basin closure costs was appropriate based upon its long-standing deferral requirements. (DEP R pp 617-20). It so held largely on the strength of the testimony of two normally opposing witnesses – DEP witness Bateman, and Public Staff witness Maness. The Commission gave their testimony “significant weight.” (DEP R p 620).

Thus, for example, witness Maness testified that “based on the magnitude and unique nature” of the coal ash basin closure costs “the Public Staff continues to

believe that prudently incurred CCR expenditures should be allowed to be deferred.” (DEP R p 617). Witness Maness also referenced comments that the Public Staff had filed in the DEP Deferral Docket as additional support for its position approving of the deferral. (*Id.*) In those comments Public Staff had supported deferral for regulatory accounting purposes because the costs generally satisfied the criteria for deferral accounting in that they were “adequately extraordinary in both type of expenditure and in magnitude to justify consideration for deferral ...[and] the effect of not deferring the expenses on the Companies’ respective earned returns on common equity would be significant.” (*Id.*) Witness Bateman also supported deferral, indicating that new environmental laws and regulations “had significantly increased the estimated closure costs of the Company’s CCR basins, and changed the required accounting, triggering asset retirement obligation accounting.” (*Id.*)

Similarly, in Docket No. E-7, Sub 1110 (“DEC Deferral Docket”), DEC requested that the Commission issue an accounting order deferring its coal ash basin closure costs. (DEC R p 1031). That Docket was consolidated with the DEC Rate Case, and in the DEC Rate Case Order the Commission held that deferral of prudently incurred coal ash basin closure costs was appropriate based upon its long-standing deferral requirements. (DEC R pp 1030-31). The Commission’s determination again relied heavily on the Public Staff’s acceptance of the propriety of deferral in the DEC Deferral Docket and on witness Maness’s testimony (which was essentially identical to his DEP Rate Case testimony). (*Id.*)

2. Deferral of Duke Energy's Prudently Incurred Coal Ash Basin Closure Costs is Fully Supported by Applicable Law.

Historically, the Utilities Commission and this Court have allowed deferral when a utility has incurred extraordinary expenses not included in rates. *In re Request for Approval of Accounting Treatment*, Docket No. E-13, Sub 158 (N.C. Util. Comm'n 1992). Similarly, deferral has been used when reductions in the utility's costs are anticipated in the future but cannot be reasonably calculated. *See, e.g., State ex rel. Utilities Comm'n v. Carolina Utility Customers Ass'n*, 314 N.C. 171, 333 S.E.2d 259 (1985) (deferral accounting in anticipation of uranium fuel savings). The Commission has described cost deferrals as "a recognized practice allowing recovery of unusual expenses arising from extraordinary circumstances or events." *In re Application by VEPCO*, Docket No. E-22, Sub 532 at 162 (N.C. Util. Comm'n Dec. 22, 2016). Deferral allows the Commission to ensure that the magnitude of extraordinary costs is better understood before including those costs in rates. More importantly, deferral allows the Commission to minimize rate impacts on the consuming public. (*See* DEC R pp 14-15 (noting that deferred accounting can be used to establish an "amortization schedule to mitigate rate impact"))).

The impact of the Commission's deferral determinations is also undisputed:

The point of a deferral is that the costs to be deferred are of a magnitude that they need to be taken out of the normal ratemaking accounting process and set to one side for later inclusion in rates, lest the Company lose its ability to recover them. Tr. Vol. 9, pp. 123-24. Should the Company's ability to recover such costs be impaired, it will not be able to earn at its authorized rate of return. *Id.* at 124. Setting them to one side means that unless a return is allowed, the Company's ability to earn its authorized rate of return is again impaired. *Further, if in the process of bringing the deferred costs into rates the costs are amortized over a period of years, not allowing a return on the unamortized costs again*

impairs the Company's ability to earn at its authorized rate of return. Rates that impair the Company's ability to earn its authorized return are not just and reasonable, unless the Company should be penalized due to mismanagement, for example, and the Commission would act contrary to law were it to order them.

(DEC R p 1114 (Emphasis added)). As shown below, it is for this reason that a return on the deferred costs during the period (5 years in these cases) in which the costs are amortized and recovered is appropriate.

C. The Commission Correctly Determined that the Coal Ash Basin Closure Costs were Appropriately Accounted for and Capitalized as Asset Retirement Obligations under GAAP-Mandated Rules.

The Attorney General and the Public Staff argue that Duke Energy should not recover a fair return on the funds advanced by shareholders to cover coal ash closure costs. (*See, e.g.*, AG Br. p 70; Public Staff Br. p 75). Public Staff asserts that at least some of the coal ash basin closure costs incurred by Duke Energy were “operating expenses” and therefore ineligible for a return. (Public Staff Br. p 75). The Attorney General’s position is that these costs are really “waste management expenses” and not eligible for a return. (AG Br. p 68).¹⁴

¹⁴ The Attorney General cites *Fla. Cities Water Co. v. Fla. Pub. Serv. Comm’n*, 705 So. 2d 620 (Fla. Dist. Ct. App. 1998) as support for its contention that the costs incurred by Duke Energy are really “expenses.” (AG Br. pp 77-79). How the courts of Florida and the Florida Public Service Commission classify costs is of course irrelevant for purposes of these cases. Rather, the North Carolina Public Utilities Act and the decisions of this Court construing the Act supply the rule of decision in these cases. Further, while the Florida Court of Appeals held it is not the case that all expenditures made to comply with a regulation may be incorporated into the rate base, the court stated “We hold that the PSC must, in considering what to include in the rate base, treat capital improvements required by governmental regulations as ‘in the public interest,’ ... but that the PSC must add these expenditures to the rate base only to the extent the improvements they effect or the facilities to which they relate are ‘used and useful in the public service.’” *Fla. Cities Water Co. v. State*, 705 So. 2d 620, 623 (Fla. Dist. Ct. App. 1998).

These arguments lack merit. As the Commission found: “Costs placed in an ARO account are eligible for deferral and amortization and for earning on the unamortized balance. As such, even if the remediation costs are ARO expenditures, they are eligible for ratemaking treatment as though they are used and useful assets.” (DEC R p 675). The Commission’s conclusion is correct, and its findings are supported by substantial evidence and therefore conclusive in these appeals. Those findings completely reject the notion that Duke Energy’s coal ash basin closure costs should properly be classified as “expenses” ineligible for a return.

1. Under Required Accounting Procedures, the Investor Funds That Were Advanced for Coal Ash Basin Closure Were Properly Capitalized.

The legal and accounting foundations of the Commission’s ARO decision show that the Commission’s determination is correct under applicable law. There is no error in the Commission’s analysis in this regard.

The regulations of the Securities and Exchange Commission (“SEC”) require Duke Energy, as a publicly-traded company, to comply with GAAP, as well as Financial Accounting Standards (“FAS”) and Accounting Standards Codification (“ASC”) set by the Financial Standards Accounting Board (“FASB”). (*See* DEC R p 1108 n.70). Duke Energy is also subject to the accounting procedures adopted by the Federal Energy Regulatory Commission (“FERC”). (DEC R p 1108; DEC T Vol 12, p 62; *see* 18 C.F.R. § 101 (FERC Uniform System of Accounts)). The Commission has directed electrical utilities in North Carolina to follow the accounting and reporting requirements prescribed by FERC. NCUC Rule R8-27.

An ARO is defined by FERC as “a liability for the legal obligation associated with the retirement of a tangible long-lived asset.” 18 C.F.R. § 101, General Instr. No. 25. As relevant here, an ARO must be recorded on a utility’s books and records “when a change in the law creates a legal obligation to perform the retirement activities.” 68 Fed. Reg. 19610, 19611 (Apr. 21, 2003). Thus, when “it became clear that the new laws and regulations governing coal ash would require closure of the Company’s existing coal ash basins,” the Company was required to follow the accounting requirements relating to AROs. (DEP R p 673).

When an ARO is mandated, the utility is required to record the ARO as a liability on its balance sheet. 68 Fed. Reg. at 19611. A corresponding entry in the same amount is made on the asset side of the company’s balance sheet to reflect the increase in the “cost of the related asset that gives rise to the legal obligation.” *Id.* The bookkeeping entries required by the SEC and FERC (and the Utility Commission by incorporating FERC accounting requirements) are the same. *Id.* (noting that ARO accounting procedures required by FERC are “consistent with the accounting and reporting requirements” of the SEC).

The effect of the accounting procedures required by FERC and the SEC is to “capitalize the asset retirement costs” – with the obligation being recorded on the balance sheet as a liability and an identical entry being added to the balance sheet as an asset (as an increase in the cost to the asset, *i.e.*, utility plant, that gives rise to the obligation). *Id.* (“companies will separately account and report the liability for the asset retirement obligations, capitalize the asset retirement costs, charge earnings for

depreciation of the asset and charge operating expenses for the accretion of the liability”) (emphasis added); *see* Adrian Fitzsimons & Irene McCarthy, *Accounting for Asset Retirement Obligations*, Commercial Lending Review 70, 70 (Winter 2001-02). FERC directs that in capitalizing asset retirement costs they shall be recorded in the account “electric utility plant” as an asset. 18 C.F.R. § 101, General Instruction 25(B). In its preamble to its rules, FERC emphasizes that “asset retirement costs are considered an integral part of the costs of the particular asset that gives rise to the asset retirement obligations, rather than separate and distinct assets.” 68 Fed. Reg. at 19615.

As the Commission explained in its DEC order:

[B]oth GAAP and FERC accounting guidance require the recognition of a liability (the ARO) upon the requisite triggering event – the legal obligation to retire the Company’s coal ash basins. Recognition of the liability carries with it recognition of a corresponding asset – the capitalized cost of settling the liability, which under both GAAP and FERC rules is considered part of the property, plant and equipment for the assets that must be retired.

(DEC R p 1112). The SEC, FERC, FASB and the Commission properly recognize that the costs associated with retiring a utility plant are an integral part of the utility plant itself. As a result, all require that these costs be capitalized and accounted for as an asset of the company. This direct relationship between asset retirement obligations and utility plant property amply justifies the Commission’s conclusion that the expenditures at issue are no different from the costs to build the utility plant and therefore stand as the “public utility’s property used and useful.” N.C. Gen. Stat. § 62-133(b)(1).

Capitalized costs bear a return. The coal ash basin closure costs incurred by Duke Energy are capitalized costs, funded by Duke Energy's investors, who advanced the funds expecting a return. The Public Utilities Act provides for a return, and the Commission properly awarded one.

2. The Commission's ARO Determination is Supported by Substantial Evidence.

The Commission's analysis of the legal and accounting foundation of its ARO decision is also amply supported by substantial evidence. Before the Commission, the Public Staff took the position that the costs accounted for in the coal ash basin closure AROs established by Duke Energy were more properly classified as "deferred expenses," and, therefore, not eligible for a return once those costs were brought into rates. (DEC R p 1107). The Commission comprehensively addressed the Public Staff's position in its factual findings. In doing so, it is clear that this Court's *Cooper I* criticism – the Commission's failure to weigh conflicting evidence and, instead, merely summarizing that evidence and then announcing a conclusion, *see* 366 N.C. at 493, 739 S.E.2d at 547 – does not apply to the Commission's ARO discussion in these cases. That discussion is thorough, complete, and extensively weighed the Public Staff's position, as advanced by its witness Maness, with Duke Energy's position as advanced by its witnesses Doss and McManeus. (*See, e.g.*, DEC R pp 1107-1116). The Commission rejected Public Staff witness Maness' testimony and credited the testimony of Company witnesses Doss and McManeus. That determination is for the Commission, and its determination is not subject to challenge on appeal, so long as supported by substantial evidence. Given the

extensive discussion of the supporting evidence by the Commission, the Commission's determination *is*, in fact, supported by substantial evidence.

The Commission began that analysis by noting that witness Maness started “from the premise that the Company ‘chose’ to account for its coal ash basin closure costs through ARO accounting” (DEC R p 1107), but disagreed with that premise. It held, to the contrary, that “Once it became clear that the new laws and regulations governing coal ash would require closure of the Company's existing coal ash basins, GAAP required that an ARO be established, and the Company had no choice in the matter.” (DEC R pp 1107-08; DEP R p 673). Not only was ARO accounting required by GAAP, but Duke Energy “was also required to (and did) adhere to and apply the accounting guidance under ... [the] Federal Energy Regulatory Commission (‘FERC’) Code of Federal Regulations (‘CFR’), as well as Orders of this Commission.” (DEC R p 1108). The Commission then, relying upon and crediting witness Doss, detailed the GAAP and FERC rules, as well as its prior Orders, that governed and informed its analysis.

With respect to GAAP, the Commission found, based upon Doss' testimony, that “[t]he CCR Rule and CAMA were new laws that compelled basin closure under GAAP.” (DEC R p 1108). Doss' testimony detailed the specific GAAP guidance implicated for coal ash basin closure costs, and in particular Subtopic 15-2 in ASC 410-20-15. (DEC R pp 1108-09). As the Commission found:

Here, the coal ash basins being retired are tangible long-lived assets, and so Subtopic 15-2(a) applies. In addition, to the extent that retirement involves any environmental remediation, that remediation is the result of the normal operation of the basins, which is the subject of

Subtopic 15-2(b). As noted in Company witness Kerin's testimony, the use of ash impoundments as a storage location for coal ash and other CCR was in accordance with industry standards and then-applicable regulations.

(DEC R p 1109). Indeed, the Commission found specifically that the coal ash basin closure costs for which Duke Energy sought recovery resulted "from the 'normal,' non-catastrophic operation of the Company's coal ash basins," and it called the evidence supporting this proposition "compelling." The Company has proven that its coal ash management practices, storage of CCR in unlined ash basins, complied with the then-applicable regulations and with industry practice. Seepage from unlined basins is therefore part of the 'normal operation' of those basins." (DEC R p 1110).¹⁵

The Commission found witness Doss' explanation of the FERC rules and prior deferral orders of the Commission to be equally compelling. (DEC R pp 1110-11). It concluded by summarizing its findings:

While the accounting rules detailed herein are complex, in simplified terms, both GAAP and FERC accounting guidance require the recognition of a liability (the ARO) upon the requisite triggering event – the legal obligation to retire the Company's coal ash basins. Recognition of the liability carries with it recognition of a corresponding asset – *the capitalized cost of settling the liability, which under both GAAP and FERC rules is considered part of the property, plant and equipment for the assets that must be retired.* While under ordinary circumstances these recognition events would be reflected over time in the Company's income statements, because of the deferral order in Docket No. E-7, Sub 723,^[16] the income statement impacts are deferred into regulatory assets "pending further orders of the Commission." The Company in this case is seeking such a further

¹⁵ This evidence is detailed in Section I.C, above, and, indeed, is "compelling."

¹⁶ The corresponding DEP order is in Docket E-2, Sub 826.

order, so as to reflect in rates the outflow of cash that it has incurred – and that its investors have funded – as it proceeds to settle the asset retirement obligation created by the CCR Rule and CAMA.

(DEC R p 1112) (emphasis added). The Commission’s summary is fully supported by the testimony of witness Doss. No witness contradicted Doss’ recap of the applicable GAAP, FERC, and deferral rules.

The Commission went on to examine the underpinnings of the DEC Deferral Docket, and, in particular, the Company’s letter that led the Commission to initiate that Docket – what the Commission referred to as the “Savoy Letter.” (DEC R pp 3-11, 1112).¹⁷ The letter, dated 21 December 2015, from a senior accounting officer of both DEC and DEP:

- Describes the GAAP and FERC accounting requirements regarding AROs;
- Describes the triggering events for the creation of the ARO, noting the promulgation of the CCR Rule and the passage of CAMA;
- Indicates that an ARO related to the closure of coal ash basins was recorded on the Company’s balance sheet;
- Indicates further that a corresponding asset was recorded “as part of the associated coal plant in the property, plant and equipment (PP&E) accounts, or if associated with a retired coal plant, recorded in regulatory assets”; and
- Noted that “[c]onsistent with the requirements of the Commission’s Order dated August 8, 2003 in Docket No. E-7, Sub 723 ... [and Order dated August 12, 2003 in Docket E-2, Sub 826 – the equivalent DEP general deferral Order] all income statement impacts relating to the AROs ultimately reside in regulatory asset accounts.”

¹⁷ The Savoy Letter, which applied to both DEP and DEC, was also the trigger for the Commission’s initiation of the DEP Deferral Docket. (DEP R p 3).

(DEC R p 1112). The Commission indicated that Duke Energy witnesses were examined at length regarding the Savoy Letter (*see* DEC T Vol 9, pp 117-24), and that that examination “established, *inter alia*, that basin closure costs, whether they be denominated capital costs, O&M costs, general administration costs are nevertheless capitalized in connection with the establishment of the ARO; that such costs are extraordinary and not reflected in the Company’s then-current rates; and, therefore, needed to be set aside and deferred so that the Company would not lose recovery of those costs ‘to the detriment of the stockholder.’” (DEC R pp 1112-13).

The Savoy Letter is entirely consistent with witness Doss’ testimony – indeed, it foreshadowed that testimony by approximately two years. This congruence was not lost on the Commission: “Through the Savoy Letter, the Company told the Commission and the Public Staff, and the Commission told all interested parties, exactly how the Company’s coal ash basin closure costs were being accounted for, and explicitly indicated that the costs were being deferred pursuant to the Commission’s [prior deferral] orders Neither the Public Staff nor anyone else, including the ... [Attorney General], raised any objection.” (DEC R p 1113). Indeed, as the Commission found, “No party takes issue with the Company’s accounting of coal ash basin closure costs in an ARO, as detailed in the Savoy Letter.” (*Id.*)

On this basis, the Commission concluded that Duke Energy “met its burden of showing that the costs it seeks to recover are not only reasonably and prudently

incurred, but also appropriately accounted for in ARO accounting.” (DEC R p 1113). That conclusion is supported by substantial evidence, as shown above.

In reaching this conclusion, the Commission found that Public Staff witness Maness’ argument that the costs in the ARO were properly classified as deferred expense was “not persuasive, not supported by authority, and not determinative, given the nature of the deferral.” (DEC R p 1113). But the Commission found that Maness’ position was also “incorrect as a matter of accounting,” noting that “because under GAAP and FERC guidance ARO costs are capitalized. The nomenclature relied upon in GAAP and FERC is costs, assets, and liabilities, not expense.” (DEC R pp 1113-14).

The Commission clearly set out the consequences for its finding, supported by substantial evidence, that Duke Energy’s coal ash basin closure costs were properly and appropriately accounted for in an ARO. It noted that “deferred costs are costs ‘that have been paid for by the ... [utility] but have yet to be included for ratemaking purposes.’” (DEC R p 1113, *quoting* Lesser & Giacchino, p 52). Then, crediting Company witness McManeus, the Commission quoted her testimony:

[I]t is important to recognize that rate base represents the amount of funds supplied by investors. Such funds have been advanced for many purposes. Certainly, construction of electric plant is one such purpose, but there are others – for example, to purchase fuel inventory, to provide cash working capital, etc. Further, to accurately determine the amount of investor-supplied funds, one must consider whether any amounts that have been used for such purposes have been advanced by customers, rather than investors. In this particular case, investors have advanced funds to pay for coal ash compliance costs.

(DEC R p 1114, *quoting* DEC T Vol 6, p 317). The Commission noted that McManeus “elaborated further, indicating that the ‘characteristic that makes the deferred coal ash cost a legitimate component of rate base’ is the fact that the funds used to pay those costs were supplied by investors. (*Id.*, *citing* DEC T Vol 6, p 318).

In these cases, there were two deferral periods. In the first deferral period, coal ash basin closure costs were deferred from the time they were incurred until the costs began to be recovered in rates – 16 March 2018 for DEP, and 1 August 2018 for DEC. In the second deferral period, these costs were deferred (albeit on a declining basis) over the five-year amortization periods during which they are to be recovered in rates. In both the DEC and DEP cases, the Public Staff not only supported the deferral of Duke Energy’s coal ash basin closure costs, it supported adding a return to those deferred costs during the first deferral period at the applicable Company’s weighted average cost of capital. (DEP R p 87; DEC R p 87). In fact, in both cases Public Staff witness Maness testified that he added that return to the deferred costs (DEP T Vol 18, p 307; DEC T Vol 22, p 69), and, as the Commission noted, no party objected to the inclusion of that return in the proceedings below. (DEC Tr Vol 9, p 128).

The Public Staff therefore recognized that the investor-supplied capital used to fund Duke Energy’s coal ash basin closure costs during the first deferral period should earn a return. That same investor-funded capital should also earn a return in the second deferral period, as those same costs are brought into rates during the five-

year amortization periods. The Public Staff never adequately explains the inconsistency in its position.

D. Appellants' Arguments that the Commission Erred in Allowing Duke Energy to Recover a Return on Coal Ash Basin Closure Costs Advanced by Investors Lack Merit.

On 15 occasions in his brief, the Attorney General argues that Duke Energy should not be permitted to “profit” from closure of the coal ash basins. (AG Br. pp 2, 5, 15, 39, 43, 68, 72, 93, 95). He even goes so far as to label these as “windfall profits.” (AG Br. p 40). Such rhetoric, however, ignores the fact that the North Carolina Public Utilities Act directs the Commission to establish a “rate of return” that will allow a utility to maintain its facilities and services, “compete in the market for capital funds on terms that are reasonable and that are fair to its customers,” and to produce a “fair return for its shareholders.” N.C. Gen. Stat. § 62-133 (emphasis added). To characterize the “rate of return” mandated by the statute and the Constitution as “windfall profits,” trivializes and ignores the regulatory compact that has served this State well for decades. *The Binghamton Bridge*, 70 U.S. 51 (1865) (when a State authorizes a public utility to accommodate a public necessity, the State agrees to protect the privileges granted to the utility that justify the utility’s expenditures). Establishing rates that do not allow the utility to recover its cost of equity capital constitutes an unconstitutional taking of property. *Bluefield Waterworks & Improvement Co., v. Pub. Serv. Comm’n*, 262 U.S. 679 (1923); *Fed. Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). More importantly, the Attorney General wholly ignores the General Assembly’s directive that rates

must be set at a level that allow the utility to “compete in the market of capital funds.” N.C. Gen. § 62-133. No utility that advances \$778 million dollars to customers over an eight-year period with no return on that investment could possibly compete in the market for capital funds on reasonable terms.¹⁸

1. The Attorney General’s Argument that the Closure Costs were not Paid by Investor Funds is Meritless.

Appellants argue that Duke Energy has not sufficiently established that the funds that were paid from 1 January 2015 to 31 December 2017 for closure costs were investor funded. This argument is wholly devoid of merit.

The Attorney General makes the extraordinary claim that Duke Energy “did not show that it relied on new investors to pay its coal-ash costs.” (AG Br. p 90). Unquestionably, coal ash closure costs from January 2015 to December 2017 were not included in the calculation of rates prior to the present rate case proceeding. Rates are set based on operating expenses during a test year. The other calculus going into rates, of course, is the utility’s property used and useful (less depreciation) times a reasonable rate of return. The rates in effect prior to the present rate case proceeding were determined based on a test year period consisting of the twelve months ended 2012 March 31 for DEP and the twelve months ending 30 June 2012 for DEC. None of the closure costs at issue in the appeal occurred during that period. Because coal ash closure costs (covering the period of January 2015 to December

¹⁸ The coal ash basin closure costs began on 1 January 2015. The five-year amortization period for these costs will conclude in July 2023. Thus, the period that the Attorney General believes that investor funds should be denied a fair rate of return is eight years, seven months.

2017) had not been factored into rates at the time the coal ash costs were incurred, these costs were by necessity paid out of shareholder equity. As a matter of basic accounting and common sense, if a utility's revenues do not include an amount to account for extraordinary costs, those costs are being paid for by shareholders.

The Attorney General's reference to "new investors" also makes no sense. As this Court recognized in *VEPCO*, if "the utility's own funds" are invested in working capital, a return on those funds is permitted. 285 N.C. at 414-15, 206 S.E.2d at 295-96. The *VEPCO* decision makes no reference to "new investors" – nor does the Public Utilities Act. The Attorney General's assertion that the utility must prove that the investor funds that paid for these extraordinary expenses came from "new investors" is not supported by this Court's precedent or the statute. Moreover, it is not supported by basic economic principles. When shareholder equity is consumed to pay for extraordinary expenses, that shareholder equity is not earmarked for a specific shareholder – whether a new shareholder or an existing shareholder. Rather, shareholder equity is fluid. Millions of shares of the company's stock can be bought and sold in a single day. From an economic perspective, the crucial point is that when a public utility is forced to bear extraordinary costs for which it does not receive revenue, both shareholder equity and the value of the company decline. That makes it harder and more costly for the company to obtain additional capital in the market. The Attorney General's reference to "new investors" is nothing more than a red herring.

The Attorney General also glosses over the fact that ample testimony demonstrates that the coal ash basin closure costs were investor-funded. Consistent with the way rates are determined and the economic principles discussed above, numerous witnesses testified that the payment for coal ash closure costs came from investor funds. The Public Staff's own witness testified: "The utility has already spent the money represented by the deferred cost in question, therefore, it will be required to borrow money or use equity to finance the spent cost until it can be recovered from ratepayers." (DEC T Vol 22, pp 82-83). The Public Staff (which is charged with protecting the interest of the consuming public) recognizes that a return on investment is permitted. (Public Staff Br. pp 55-57). The Company's witness (Jane McManeus) confirmed the testimony of the Public Staff that the coal ash closure costs were funded through a combination of debt and equity. (DEC T Vol 10, pp 14-15). Witness McManeus testified: "[I]nvestors have advanced funds to pay for coal ash compliance costs." (DEC Tr Vol 6, p 317). She further testified that these compliance costs were not built into rates and were not paid for by customers. (*Id.*) Ample evidence supports the Commission's finding and conclusion that these costs "are not being recovered through current rates" and that money used by the utility to pay these funds are "investor-supplied funds, not ratepayer supplied funds." (DEC R p 1100).

2. Appellants' Reliance on Precedent Relating to Abandoned Plants is not Relevant.

Citing to *Utilities Comm'n v. Public Staff*, 333 N.C. 195, 424 S.E.2d 133 (1993) ("*Carolina Trace*"), *Utilities Comm'n v. Thornburg*, 325 N.C. 484, 385

S.E.2d 463 (1989) and *Utilities Comm’n v. Carolina Water Service*, 335 N.C. 493, 439 S.E.2d 127 (1994), Appellants assert that these cases hold that a return on investment is only appropriate when property is currently in use to generate electricity. (See AG Br. pp 86-87). These cases are readily distinguishable and do not support the Appellants’ position.

In *Carolina Trace*, the utility installed a sewer connection to the City of Sanford but discontinued use of the connection before its next general rate case. This Court concluded that the abandoned sewer connection was not “used and useful property” at the time of its general rate case and could therefore not be included in rate base. In *Thornburg*, this Court concluded that the portion of common facilities at the Shearon Harris Nuclear Plant that were built to accommodate reactors that were later abandoned are excess facilities. Consequently, these excess facilities could not be included in rate base. In *Carolina Water Service*, this Court held that a wastewater treatment plant that was not in service at the end of the test year (and that would never again be in service) should not be included in rate base.

The present appeal does not involve excessive facilities tied to nuclear units that were never completed and never used to generate electricity (e.g., *Thornburg*). Moreover, this rate case does not involve abandoned utility plants and equipment that no longer result in costs to the utility (e.g., *Carolina Trace* and *Carolina Water Service*). Here, the investor-funded expenditures have a direct relationship to power generation – the company’s system to address coal ash residue resulting from electricity generation. When new regulations required changes to that system,

investor funds were used to modify that system and those modifications were property capitalized as “electric plant utilities.” Unlike the facts of *Thornburg*, *Carolina Trace* and *Carolina Water Service*, the investor funds that have been expended (and properly considered by the Commission through deferral accounting) are directly linked to property that was used and useful in rendering services to the public.

Here, the equity and debt investors of Duke Energy have advanced the capital necessary to service the needs of the public. Those investor funds have a direct link to the property that generated electricity for those customers. Accordingly, Duke Energy should be permitted to recoup the costs to investors (including the cost of equity need to advance those funds). *Virginia Elec. & Power Co.*, 285 N.C. at 414-15, 206 S.E.2d at 295-96. The deferment of the Asset Retirement Obligation has resulted in the shareholders of Duke Energy investing \$778 million in funds – *i.e.*, property – necessary in providing service to the public. The Utility Commission’s decision to award a fair rate of return on this substantial investment by the Company is firmly based in the record and the N.C. Public Utilities Act.

III. THE VAST MAJORITY OF THE COAL ASH COMPLIANCE COSTS WERE LONG-TERM CAPITAL EXPENSES

As discussed in Section II above, the coal ash closure costs were investor-funded, appropriately treated as plant utilities under deferral accounting and therefor stand as property for which a return on investment is appropriate. A separate and independent reason exists to allow a rate of return on these costs. The vast majority

of the expenditures stand as long-term assets that constitute capital improvements – aside from the fact that they were properly capitalized as an ARO.

The basin modifications and lined landfills that are the subject of this appeal constitute long-term assets and improvements to real property. These basins are part of the Company’s coal ash management system that is directly related to the service provided by the Company – power generation. Throughout its orders, the Commission expressly recognized that the majority of the coal ash closure costs are improvements to real property for which a rate of return is appropriate. (DEC R p 1101). The Commission observed that a significant portion of the coal ash closure costs “has been or will be spent on creation of lined landfills with synthetic liners or impermeable caps over existing impoundments.” (*Id.*) Such structures are “are long-lived assets and are capital in nature – not expenses.” (*Id.*)

Because these basins are improvements to real property, all of the costs associated with the creation or modification of the basins similarly become part of the capital cost of the new or modified basin. As a result, the construction-related costs are capitalized. Accordingly, when an electric plant or addition is purchased or constructed, many expenses that would otherwise be treated as operating or maintenance costs are actually capital costs because they are associated with the system being built. These costs include contract work, labor, materials and supplies, transportation of employees and equipment, general administration attributable to the construction, engineering services, insurance, legal costs and environmental studies. 18 C.F.R. § 101, Electric Plant Instruction No. 3. Much of construction

costs for the coal ash basins fall within these categories, including environmental, health and safety studies associated with the construction, infrastructure costs, landfill construction, engineering closure plans, modification of power plants to accommodate basin modifications, mobilization costs and installation of water treatment systems. (DEC R p 1093; DEP T Vol 6, p 136; DEC Tr Vol 14, p 132; DEC Doc. Ex. 3574-75; *see also* DEP R p 625 (describing plant modifications to accommodate basin modifications); DEC R p 1037 (plant modifications are required “to fully transition to dry ash handling”)). Similarly, the construction of rail spurs and the installation of rail handling equipment to serve these basins stand as long-term property that is used and useful for providing electricity to customers. (DEC T Vol. 9, p 125; DEP T Vol 11, pp 146, 234-35; DEC Doc. Exs. 3177, 5081, 5086, 5341-42, 5355, 5358, 10473). The Public Staff’s witness (Maness) admits that the closure costs include “design and permits, mobilization, site preparation, site infrastructure, water treatment and management, ash processing, construct a landfill, and cap in place, site restoration, demobilization and closing, capital expenditures related to equipment and facilities.” (DEP T Vol 19, pp 57-58). The vast majority of these costs constitute improvements to real property and are therefore capital assets. Thus, not only are these expenses properly treated as “utility plant” under the required accounting procedures for public utilities, these expenditures give rise to long-term assets that benefit the utility’s customers.

The landfills, accompanying plant modifications and other expenses to modify the Company’s coal ash remediation system, as required by the CCR rules

and CAMA, are property “used and useful.” A landfill that stores coal ash which is a byproduct of electricity generation stands as a capital expenditure required to provide electricity to the public. Accordingly, these assets are entitled to a rate of return.

Appellants’ arguments that the coal ash closure costs do not constitute property used and useful in providing service to the public is not supported by the record. Duke Energy’s coal ash closure costs were “expended to comply with the CCR Rule and CAMA” and “the capitalized costs for which the Company seeks recovery are eligible for a return.” (DEC R p 1092). The costs are, therefore, “used and useful.”

IV. THE COMMISSION PROPERLY REJECTED THE PUBLIC STAFF’S “EQUITABLE SHARING” ARGUMENT

Citing N.C. Gen. Stat. § 62-133(d), the Public Staff argues that the Commission has the discretion to make a downward adjustment in the utility’s reasonable operating costs, the utility’s “property used and useful,” and the rate of return that is determined to be fair. (See Public Staff Br. pp 130-43 (referring to its theory as “equitable sharing”)). The Public Staff’s argument fails for two separate and independent reasons. First, N.C. Gen. Stat. § 62-133(d) does not give the Commission the authority to ignore the detailed provisions of the Public Utilities Act regarding how rates are to be determined. Second, the Commission did not abuse its discretion in failing to adopt the dramatic reductions advocated by the Public Staff.

A. N.C. Gen. Stat. § 62-133(d) Does Not Give the Utilities Commission Unbridled Discretion to Reduce Rates.

N.C. Gen. Stat. § 62-133(d) states: “The Commission shall consider all other material facts of record that will enable it to determine what are reasonable and just rates.” The Public Staff does not argue that the Commission excluded material facts of record. In the two rate cases combined, the Commission held 32 days of hearings and considered thousands of pages of exhibits.

The General Assembly’s statement that the Commission shall consider all material facts should not be construed as authorizing the Commission to ignore the detailed provisions of the ratemaking formula set by statute. N.C. Gen. Stat. § 62-133(d) must be read in light of the other subsections of this statute. Elsewhere the statute directs that the Commission must follow a specific formula for setting rates for a public utility. N.C. Gen. Stat. § 62-133(b). For example, the section sets out how depreciation is to be accounted for, how a fair rate of return is to be calculated, the length of the test period during which operating expenses are to be determined, how to account for construction work in progress and numerous other factors that must go into the calculation of rates. N.C. Gen. Stat. § 62-133(b), (c).

When the General Assembly delegates legislative authority to an administrative body, such legislation must be “accompanied by adequate guiding standards to govern the exercise of the delegated powers.” *Adams v. N.C. Dep’t of Natural & Econ. Res.*, 295 N.C. 683, 697, 249 S.E.2d 402, 410 (1978). Otherwise, the legislation is unconstitutional as a violation of separations of powers. *Id.* at 696-98, 249 S.E.2d at 410-11. Here, the statutory formula set out in N.C. Gen. Stat. §

62-133(b), (c) provides an adequate guiding standard for the setting of rates by the Commission. If, however, those guiding standards were to be eviscerated by the interpretation advocated by the Public Staff (i.e., if the Commission were authorized to deny a fair rate of return in its unbridled discretion), the statute would raise grave constitutional concerns. Accordingly, this Court should construe N.C. Gen. Stat. § 62-133(d) narrowly rather than undermine the constitutional validity of the Public Utilities Act. *See N.C. State Bd. of Educ. v. State*, 371 N.C. 149, 160, 814 S.E.2d 54, 62 (2018) (“[w]here one of two reasonable constructions will raise a serious constitutional question, the construction which avoids this question should be adopted”) (internal quotations omitted; alternation in original).

The plain text of N.C. Gen. Stat. § 62-133(d) merely provides that the Commission should consider “material facts of record.” Facts of record that do not bear on the elements of the ratemaking formula or other specific provisions of Public Utilities Act are not material. Here, the Public Staff is unable to cite to a single element of the Public Utilities Act that was not properly considered by the Commission. In short, the Public Staff reads too much into the simple directive: “The Commission shall consider all other material facts of record that will enable it to determine what are reasonable and just rates.” N.C. Gen. Stat. § 62-133(d). The Public Staff’s reading of N.C. Gen. Stat. § 62-133(d) as providing the Commission

carte blanche to do whatever it wants with respect to rates is inconsistent with the Act and should be rejected by this Court.¹⁹

The Public Staff's "equitable sharing" recommendation was to disallow the Company from recovering 50% of the coal ash closure costs in the DEP rate case (51% in the DEC rate) – even though these costs had already been paid by investors. The Public Staff offered no rationale for selecting its 50% and 51% disallowances. When the Public Staff's witness was examined on the arbitrary nature of the percentage, he simply punted stating that it is "up to the Commission's discretion to determine what [the] sharing should be." (DEP Tr Vol 19, p 69). In the DEC rate case, the Commission explained why the Public Staff's recommendation of a 51% disallowance was arbitrary:

[T]he concept is standard-less, and, therefore, from the Commission's view arbitrary for purposes of disallowing identifiable costs – there is no rationale that supports a substantially large 51% disallowance. The Public Staff chose a desirable equitable sharing ratio, then backed into the mechanism to achieve that level of disallowance, leaving the allocation subject to an arbitrary and capricious attack, particularly as it provides no explanation as to why the "equitable" split for DEP in the 2018 DEP Case was in its view 50-50, while the "equitable" split in this case is 51-49. As the Commission held in the 2018 DEP Case, the "Public Staff provides insufficient justification for the 50/50 [split] as opposed to 60/40 or 80/20" 2018 DEP Rate Order, p. 189.

(DEC R p 1097).

Black's Law Dictionary defines an "arbitrary and capricious" decision as one "without determining principle." *See Tate Terrace Realty Investors, Inc. v.*

¹⁹ The corollary to the Public Staff's argument that the Commission, in its discretion, can make a downward adjustment of rates is that the Commission could also make an upward adjustment of rates.

Currituck Cty., 127 N.C. App. 212, 222-23, 488 S.E.2d 845, 851 (1997). The Public Staff’s “equitable sharing” recommendation is devoid of any determining principle. If this recommendation had been adopted by the Commission, the Commission would have acted arbitrarily and capriciously by denying the Company a fair rate of return. An illustrative case is *Sanchez v. Town of Beaufort*, 211 N.C. App. 574, 580, 710 S.E.2d 350, 354 (2011), in which the Court held that it was arbitrary and capricious for a municipal body to “cherry pick” a standard without providing any basis of any particular determining principle. In that case, the Beaufort Historic Preservation Commission (“BHPC”) attempted to limit the construction of petitioner’s home to twenty-four feet in height “without the use of any determining principle from the BHPC guidelines.” *Id.* at 582, 710 S.E.2d at 355. Rather, the BHPC members based the standard “on their own personal preferences,” with each member providing a manner of re-working the project’s construction to comply with a twenty-four-foot height maximum, but none providing a reason as to *why twenty-four feet* when the height “*could be a different number*” *Id.* at 581, 710 S.E.2d at 355 (emphasis in original). Thus, while the BHPC members could certainly provide a way to arrive at the height maximum, they could not provide a “why” for *that particular* height maximum. Failure to provide a determining principle for the height maximum itself rendered the BHPC’s decision arbitrary and capricious. *Id.* at 582, 710 S.E.2d at 355. The Public Staff’s recommendation to disallow 50% or 51% of costs without relying on any standard is just as arbitrary as randomly picking a maximum height for homes.

Like the Attorney General (*see* pp. 63-64, above), the Public Staff incorrectly relies on this Court's precedents concerning plants under construction that were abandoned prior to becoming property used and useful. In support of its "equitable sharing" recommendation, the Public Staff relies on *State ex rel. Utils. Comm'n v. Thornburg*, 325 N.C. 463, 467 n.2, 385 S.E.2d 451, 453 n.2 (1989) (*Thornburg I*) and *State ex rel. Utils. Comm'n v. Thornburg*, 325 N.C. 484, 490, 385 S.E.2d 463, 466 (1989) (*Thornburg II*). *Thornburg I* addressed the treatment of costs of Shearon Harris Nuclear Units 2-4 following the abandonment of those units. *Thornburg II* addressed recovery of common facilities that exceeded the needs of Harris Unit No. 1 following the abandonment of Units 2-4. The Public Staff's "equitable sharing" argument is inconsistent with its position in other rate cases. Moreover, the cases on which the Public Staff relies do not support this novel theory.

1. The Public Staff's "Equitable Sharing" Argument is a Dramatic Departure From its Position in Other Rate Cases.

One year before the present rate case, the Commission was faced with a request by Dominion North Carolina Power ("Dominion") for a rate increase to cover its extraordinary costs of complying with the CCR Rule and CAMA. Like the present appeal, Dominion requested that these costs be amortized over a five-year period and that Dominion be allowed to recover a rate of return until Dominion had recouped the funds advanced by shareholders. Rather than argue that there should be an "equitable sharing" of these costs between ratepayers and Dominion, the Public Staff stipulated that because Dominion's expenditures had been prudently incurred and were investor-funded, Dominion should be entitled to recover these

costs through rates over a five-year period and also receive a rate of return on the unamortized balance. The Commission approved this Stipulation and authorized rates that allowed Dominion to recover these costs, plus a rate of return. Order Approving Rate Increase and Cost Deferrals, Docket No. E-22, Sub 532 (Dec. 22, 2016). The Public Staff's dramatic break from its position in the Dominion case is arbitrary, and the Public Staff offers no explanation as to why the Commission should treat similarly situated utilities differently under virtually identical facts.²⁰

In the Dominion rate case, the Public Staff faced a structurally identical cost recovery proposal and agreed that those costs should be recovered over a five-year period with a rate of return. The Public Staff's position was adopted by the Commission and the coal ash basin closure costs were included in rates – to be amortized over a five-year period. In that case, the Public Staff did not recommend any kind of “equitable sharing.” Just as “equitable sharing” was not a valid theory in the Dominion rate case, it is not a valid theory here.

²⁰ Below, the Public Staff witnesses attempted to explain away its dramatically different positions in the Dominion rate case versus the present rate case. DEC Doc. Ex. 20939-20942. Specially, the Public Staff asserted that the violations and the magnitude of the costs were different in these two rate cases. Although Dominion's coal ash basin closure costs attributable to North Carolina ratepayers is much less than Duke Energy's North Carolina costs, the Public Staff ignores the fact that Dominion's service area in North Carolina is much smaller than Duke Energy's. Similarly, the Public Staff incorrectly compares the total number of asserted environmental violations, rather than whether the purported violations caused any of the expenses that the utility is seeking to recover.

2. This Court's Decisions in *Thornburg I & II* Do Not Support "Equitable Sharing."

In *Thornburg I*, this Court considered whether the Commission erred in allowing the utility to recover construction costs associated with abandoned units of the Shearon Harris Plant as operating expenses under N.C. Gen. Stat. § 62-133(b)(3). The Commission allowed these costs to be amortized over a ten-year period but without a return. In doing so, this Court rejected the Attorney General's argument that operating expenses must have a nexus to property used and useful. Under the North Carolina statute, "operating expenses" are not defined. 325 N.C. at 475, 385 S.E.2d at 457. As long as the expenses are "reasonable," the Commission may allow their recovery under N.C. Gen. Stat. § 62-133(b)(3). This Court held that the Commission's conclusion that the cancellation costs may be recovered as operating expenses (without a rate of return) was supported by substantial evidence and not an abuse of discretion.

In *Thornburg I*, this Court expressly rejected the Attorney General's reliance on selected decisions from other States in which abandoned construction costs were disallowed. This Court noted that other States have used three different approaches: (1) allowing the utility to recover all cancellation costs with a rate of return on the unamortized balance; (2) disallowing all costs associated with construction of a plant that is abandoned; and (3) approving recovery of the construction costs associated with an abandoned plant over a period of years but allowing no return on the unamortized balance. With respect to these three approaches, this Court noted, "Strong policy considerations support the Commission and commentators who have

concluded that method three is the best of the three alternatives in that it promotes an equitable sharing of the loss between ratepayers and the utility stockholders.” *Id.* at 480, 385 S.E.2d at 460 (internal quotations omitted). The Public Staff glosses over the fact that the Court’s statement was made in the context of whether abandoned plant construction costs can be recovered as operating expenses – not whether the North Carolina Public Utilities Act or the U.S. and N.C. Constitutions permit the Commission to deny a fair rate of return on property that *is* used or useful in providing services to customers. In fact, each of the four law review articles cited by this Court in this paragraph of its opinion are specifically addressing construction costs for abandoned plants.²¹ *Id.* The Public Staff’s attempt to read *Thornburg I* as permitting the Commission to deny a fair rate of return on property that is determined to be used and useful cannot be reconciled with the narrow scope of this Court’s holding in *Thornburg I*.

This Court’s decision in *Thornburg II* similarly does not permit the Commission to refuse to allow a fair rate of return on property that is used and useful. In *Thornburg II*, the Commission was faced with how to treat the construction costs of common facilities (e.g., a fuel handling building that was larger than needed for

²¹ P. Rodgers & C. P. Gray, *State Commission Treatment of Nuclear Plant Cancellation Costs*, 13 Hofstra L. Rev. 443 (Spring 1985); Pierce, *The Regulatory Treatment of Mistakes in Retrospect: Cancelled Plants and Excess Capacity*, 132 U. Pa. L. Rev. 497 (1984); Sommers, *Recovery of Electric Utility Losses from Abandoned Construction Projects*, 8 Wm. Mitchell L. Rev. 363 (1982); Olsen, *Statutes Prohibiting Cost Recovery for Cancelled Nuclear Power Plants: Constitutional? Pro-Consumer?*, 28 Wash. U.J. Urb. & Contemp. L. 345, 377 (1985).

one unit) associated with the Shearon Harris Units that were subsequently abandoned. The Commission allowed the utility to include some – but not all – of these costs in rate base. This Court reversed, concluding that because the Commission had quantified the costs (\$570 million) that were attributable to the three cancelled units, the cost of these excessive facilities must be treated as cancellation costs and no portion could be included in rate base. This Court concluded that if the facilities were excessive, they were not “used and useful” and could not be included in rate base. *Id.* at 495, 385 S.E.2d at 469. The result was to allow the utility to recover the \$570 million as operating expenses – but without a rate of return.

The Public Staff asserts that *Thornburg II* is an express approval of its “equitable sharing” theory. It is nothing of the kind. *Thornburg II* was a straightforward application of the rate-making formula. If property is used and useful in providing service to the public, the original cost (less depreciation) goes into rate base. If an expense was prudently incurred but is not property used and useful (e.g., abandoned construction costs or excessive facilities), the costs are recoverable as operating expenses – without a rate of return. Here, unlike *Thornburg I & II*, the capital funded by shareholders was directly incurred as a result of the generation of electricity in service to the public. The language and holding of *Thornburg II* (just like *Thornburg I*) cannot be read as abandoning the precise directives of N.C. Gen. Stat. § 62-133 (which require a return on property used and useful) and allowing the Commission to deny a fair rate of return on capitalized costs that serve the public.

Thornburg I & II involved prudent expenditures that were never put to use in providing service to the public because of the abandonment of the planned units. Unlike *Thornburg I & II*, the investor-funded capitalized costs at issue here were used and useful in responding to regulatory changes and providing electricity to the public. *Thornburg I & II* speak specifically to abandoned plants and excessive facilities – not property that is used and useful. Under the guise of its “equitably sharing” theory, the Public Staff is essentially asking this Court to ignore the precise ratemaking formula set out in the Public Utilities Act.

B. The Commission Did Not Abuse its Discretion in Determining that a Further Downward Adjustment Would Not be Reasonable and Appropriate.

Regardless of whether N.C. Gen. Stat. § 62-133(d) may be read as authorizing the Commission to make a downward adjustment in rates, the Commission declined in these cases to exercise whatever discretion the Public Staff insists it possesses.²²

²² Accordingly, the Public Staff’s argument (*see* Public Staff Br. pp 64-74) that the Commission’s decisions are contradictory and therefore in error makes no sense. The Commission’s determinations are not contradictory. In both cases the Public Staff asked the Commission to exercise discretion and disallow some portion of Duke Energy’s coal ash basin closure costs (even if prudently incurred) through an “equitable sharing” mechanism. In both cases, the Commission declined the invitation. Public Staff has not shown in these appeals that the Commission abused its discretion. Moreover, the Commission declined Public Staff’s invitation because it concluded that acceding to the invitation and disallowing 50% (in the case of DEP) or 51% (in the case of DEC) of Duke Energy’s cost recovery would result in “rates that would be unjust and unreasonable, while the Commission’s charge is to fix rates that are, to the contrary, just and reasonable. G.S. 62-131(a).” DEP R p 675. The Commission is the body charged with setting rates that are just and reasonable. *State ex rel. Utils. Comm’n v. Eddleman*, 320 N.C. 344, 367, 358 S.E.2d 339, 347 (1987) (“The Commission, not the courts, has been given the authority to regulate the rates of public utilities.”).

In the DEP rate case, the Commission stated that “in its discretion,” it had concluded to allow amortization of the deferred CCR costs “over five years with full return on the unamortized balance” – after a downward adjustment as a “management penalty.” (DEP R p 951 (Order on Motion for Clarification); *see also id.* at 668 (“the Commission chooses in its discretion not to adopt [the Public Staff’s] recommendation”)). In the DEC rate case, the Commission similarly concluded that except for a downward adjustment based on a management penalty, it would not be appropriate to exercise its discretion to make a downward adjustment:

The Public Staff argues that the approval of a return is discretionary. The Commission determines it unnecessary to determine whether the costs must receive a return on the unamortized balance. In its discretion, as expressly authorized by N.C. Gen. Stat. § 62-133(d), with the exception [of a management penalty,] it approves a return.

(DEC R p 1099). Accordingly, it appears the Public Staff is really seeking some sort of advisory opinion from this Court as to the propriety of its “equitable sharing” position. Of course, this Court is not in the business of providing advisory opinions. *City of Greensboro v. Wall*, 247 N.C. 516, 519, 101 S.E.2d 413, 416 (1958).

Here, the Commission decided to make a downward adjustment (totaling \$100 million in the two cases) but concluded not to exercise its discretion to make a further

adjustment.²³ The Commission explained why it was not making a further adjustment:

No witness argues that the Commission lacks the discretion to follow the precedent it established in [early rate cases,] where it addressed the issue of amortizing deferred ARO CCR remediation costs over five years and a return on the unamortized balance. No witness argues that the law forbids the Commission to authorize a return on the unamortized balance. The Commission chooses to exercise its discretion and authority under N.C. Gen. Stat. § 62-133(d) and follow its precedent here – amortize the ARO costs over five years and authorize a return on the unamortized balance.... The Commission will not accept the Public Staff equitable sharing argument primarily because the Commission determines in its discretion that amortization of the deferred ARO costs over 25 years is inequitable ...

(DEC R pp 1099-1100).

The Commission's reasoning for rejecting the Public Staff's proposal is set out at length in the Commission's orders. As the Commission explained, rates that do not allow the utility to recoup its reasonable costs would jeopardize the financial strength of the utility – thereby causing ratepayers to pay more for electricity over time and diminish the quality of the services that the utility has the ability to provide. (DEP R p 676). Moreover, failing to allow the Company to recover a fair rate of return on its property (whether on physical plant, working capital, or otherwise supplied by investors) is contrary to the express mandate of the Public Utilities Act

²³ Duke Energy has not appealed from the Commission's downward adjustment in the amount of \$100 million (\$30 million in the DEP case and \$70 million in the DEC case). N.C. Gen. Stat. § 62-133(d) should not be read as giving the Commission discretion to deviate from the formula set forth in the Public Utilities Act. As set above, the parties' disagreement with respect to N.C. Gen. Stat. § 62-133(d) need not be decided here. The Commission exercised its discretion to make an adjustment, but not one of the size requested by the Public Staff. The Commission decision was not arbitrary or capricious.

and the U.S. Supreme Court's precedent with regard to ratemaking. (DEC R pp 857-858). Virtually the entire 334 pages of the majority opinion in the DEC Order and 234 pages of the majority opinion in the DEP Order explain why the circumstances of these cases do not make a further downward adjustment appropriate. Neither the Public Staff nor any other Appellant has been able to articulate why the rates that were set by the Commission are wholly devoid of rationality or reason. *See State v. Hennis*, 323 N.C. 279, 285, 372 S.E.2d 523, 527 (1988) (abuse of discretion occurs when a "ruling is manifestly unsupported by reason or is so arbitrary that it could not have been the result of a reasoned decision"). Because there was no abuse of discretion in the Commission's decision to allow a downward adjustment (but not as large as the Public Staff was requesting), the Public Staff's exception to the Commission's decision fails.

V. **THE SIERRA CLUB'S ASSERTION THAT N.C. GEN. STAT. § 62-133.13 BARS THE RECOVERY OF ALL COAL ASH BASIN CLOSURE COSTS IS NOT SUPPORTED BY THE RECORD AND IS CONTRARY TO THE STATUTE**

North Carolina General Statutes Section 62-133.13 provides:

The Commission shall not allow an electric public utility to recover from the retail electric customers of the State costs resulting from an unlawful discharge to the surface waters of the State from a coal combustion residuals surface impoundment, unless the Commission determines the discharge was due to an event of force majeure. ... For the purposes of this section, "*unlawful discharge*" means a discharge that results in a violation of State or federal surface water quality standards.

(Emphasis added). Although the Attorney General argued to the Utilities Commission that this statutory provision should bar a portion of the coal ash basin

closure costs and includes an exception to this effect in his Notice of Appeal, the Attorney General has abandoned this claim and makes no such argument in his brief to this Court. (*See* DEC R p 1048). The Sierra Club stands as the sole Appellant who is asserting that the Commission's Order includes items that should have been excluded under N.C. Gen. Stat. § 62-133.13.

For N.C. Gen. Stat. § 62-133.13 to be applicable, there must be a discharge from a surface water impoundment that results in a violation of state or federal surface water quality standards. The discharge must also have occurred on or after 1 January 2014. 2014 N.C. Sess. Laws 122. Moreover, the costs must result from an unlawful discharge.

The Sierra Club argues that the coal ash basin impoundments at some plants had seeps and that these seeps would have entered surface waters in small or minute quantities. *See* North American Dictionary (defining "seep" as a "flow or leak slowly through porous material or small holes"). The Sierra Club proceeds to argue that the steps Duke Energy took to address the new CCR Rule and CAMA involved dewatering the coal ash ponds and removal of the ash. Because these steps also abated the seeps, the Sierra Club contends that all of these costs should be viewed as resulting from an unlawful discharge. (Sierra Club Br. pp 18-21).

The Sierra Club's reading of the statute is unreasonable. Under the plain language of the statute, when a utility causes an unlawful discharge to state or federal surface waters that results in a violation of the applicable water quality standards, the response costs are not recoverable. That was precisely the situation at Dan River.

Customers did not bear any of the costs of the cleanup of the Dan River – a commitment that Duke Energy made to its customers even before the enactment of N.C. Gen. Stat. § 62-133.13. All of the costs from the Dan River spill were paid by shareholders. The General Assembly, however, did not intend that a seep (that could be addressed through trenching, diking or similar steps) would preclude a utility from recovering the costs of closing a coal ash basin in order to comply with the CCR Rule and CAMA. If this had been the General Assembly’s intent, it would have undoubtedly stated this expressly.

The Commission concluded that the coal ash basin closure costs resulted from the adoption of CCR rules and CAMA. (DEC R p 1092). This conclusion is supported by substantial evidence and is detailed throughout the Commission’s decision. (DEC R p 1037; DEC T Vol 14, pp 100-01, 115). Moreover, the Commission went to great lengths to identify expenditures resulting from seeps that were alleged to have resulted in water quality issues. Such expenditures that were “independent of the requirements of the CCR Rule and CAMA” were expressly disallowed. (DEC R p 1046). Except for these disallowances, no seepage caused Duke Energy to incur any “unjustified costs to comply with current laws and regulations. (*Id.* at 1092).

The Commission diligently applied the requirements of N.C. Gen. Stat. § 62-133.13. Its conclusions and findings are set out in detail in its orders. The Commission’s findings in this regard are supported by substantial evidence. The

Sierra Club's reading of N.C. Gen. Stat. § 62-133.13 should be rejected by this Court.

VI. TO THE EXTENT THAT THE ATTORNEY GENERAL CONTINUES TO ARGUE THAT DUKE ENERGY CAUSED THE ENACTMENT OF CAMA AND THEREFORE SHOULD NOT BE ALLOWED TO RECOVER ANY COAL ASH BASIN CLOSURE COSTS, THIS THEORY LACKS MERIT

Both the Attorney General and the Sierra Club assert that CAMA was enacted in response to the spill at Dan River. (AG Br. pp 51, 58; Sierra Club Br. p 21). Before the Commission, the Attorney General argued that CAMA was enacted as a result of the Dan River spill and that Duke Energy could therefore not recover any cost to comply with CAMA – even if those costs do not relate to the release of coal ash from the Dan River Steam Plant (which are not being requested by the Company). A witness presented by the Attorney General, for example, opined that Duke Energy's actions caused the enactment of CAMA and consequently any costs to comply with CAMA (over and above the costs to comply with the CCR Rule) should be disallowed. (DEC T Vol 11, pp 239, 248-50, 272).

On appeal, the Attorney General discusses the Dan River spill at length and then asserts that this incident contributed to the enactment of CAMA and therefore increased Duke Energy's coal ash basin closure costs. (AG Br. p 60). Despite the 17 pages of his brief that the Attorney General devotes to discussing the Dan River spill, the Attorney General fails to appreciate the fact that Duke Energy is not seeking to recover any costs associated with the Dan River spill. (AG Br. pp 26-35, 37, 50-51, 58, 60, 64-65; *see* DEC R p 850). Similarly, the considerations that came into

play in enacting CAMA are irrelevant to this rate case. In North Carolina, legislative intent can only be determined from the legislation itself – not the statement of legislators, committee reports or statements made on the floor of the General Assembly. *See Elec. Supply Co. of Durham v. Swain Elec. Co.*, 328 N.C. 651, 657, 403 S.E.2d 291, 295 (1991); *Styres v. Phillips*, 277 N.C. 460, 472, 178 S.E.2d 583, 590 (1971). Consequently, the issue that was before the Commission (and that should be the focus of the Attorney General’s brief) is whether the costs at issue were prudently incurred in responding to the CCR Rule and CAMA.²⁴ Testimony that the Dan River spill caused the enactment of CAMA has no more bearing on the Company’s ability to recover coal ash compliance costs than testimony that Duke Energy supported the N.C. Clean Smokestack Act (thereby leading to its enactment) would have had when Duke Energy sought recovery of the costs of complying with that Act.

The expenditures that the Company made to comply with the CCR Rule and CAMA are well-documented and were thoroughly considered by the Commission. Despite the voluminous evidence presented by the Company concerning its costs, the Attorney General and the other Appellants were not able to identify any costs that were not prudently incurred. To the extent that the Attorney General is

²⁴ In any event the Commission did not ignore Appellants’ “Duke caused CAMA” argument. The Commission in fact incorporated any responsibility that might be assigned to Duke Energy for CAMA’s enactment into its management penalty. DEC R p 1143; DEP R p 682.

continuing to assert that Duke Energy cannot recover costs to comply with CAMA, that position finds no support in the Public Utilities Act or this Court's precedents.

CONCLUSION

For the reasons set forth herein, the 2018 DEP Rate Order and the 2018 DEC Rate Order should be affirmed in all respects.

Respectfully submitted, this 25th day of September, 2019.

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N.C. R. App. P. 33(b) Certification: I certify that all of the attorneys listed below have authorized me to list their names on this document as if they had personally signed it.

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Duke Energy Progress, LLC

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing JOINT BRIEF OF APPELLEES DUKE ENERGY CAROLINAS, LLC AND DUKE ENERGY PROGRESS, LLC on all parties to the appeal by e-mail in accordance with Rule 26 of the North Carolina Rules of Appellate Procedure.

This 25th day of September, 2019.

/s/ Kiran H. Mehta

Kiran H. Mehta

DEC North Carolina Grid Rider Rate Impacts*As provided in E-7 Sub 1146 CUCA Data request 1.1 Updated Grid Rider Rate Impacts.pdf*

McManeus Rebuttal Exhibit 3

Docket E-7 Sub 1214

Page 1 of 1

Cumulative Rate ImpactsAs Filed in the Rate Case

	<u>2018</u>
Residential	1.16%
Commercial	0.58%
Industrial	0.31%
Lighting	0.18%
Avg Retail	0.75%

Rate Case Filing updated for Tax Rate Change and MACRS

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Residential	1.18%	3.21%	5.66%	8.86%	12.63%	16.31%	19.56%	22.52%	25.24%
Commercial	0.59%	1.62%	2.84%	4.41%	6.24%	8.03%	9.62%	11.07%	12.39%
Industrial	0.32%	0.89%	1.55%	2.38%	3.32%	4.25%	5.09%	5.84%	6.52%
Lighting	0.18%	0.49%	0.87%	1.37%	1.96%	2.54%	3.05%	3.52%	3.95%
Avg Retail	0.76%	2.08%	3.66%	5.71%	8.11%	10.45%	12.53%	14.41%	16.14%

As Provided to E&Y

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Residential	1.27%	3.36%	6.02%	9.76%	14.05%	18.35%	22.19%	25.76%	29.03%
Commercial	0.63%	1.69%	3.03%	4.86%	6.95%	9.04%	10.92%	12.67%	14.25%
Industrial	0.34%	0.93%	1.66%	2.62%	3.71%	4.79%	5.78%	6.70%	7.51%
Lighting	0.20%	0.51%	0.92%	1.51%	2.18%	2.86%	3.46%	4.02%	4.53%
Avg Retail	0.82%	2.17%	3.90%	6.29%	9.02%	11.76%	14.21%	16.49%	18.57%

Year over Year Rate ImpactsAs Filed in the Rate Case

	<u>2018</u>
Residential	1.16%
Commercial	0.58%
Industrial	0.31%
Lighting	0.18%
Avg Retail	0.75%

Rate Case Filing updated for Tax Rate Change and MACRS

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Residential	1.18%	2.01%	2.37%	3.03%	3.47%	3.27%	2.80%	2.47%	2.22%
Commercial	0.59%	1.02%	1.21%	1.53%	1.75%	1.68%	1.48%	1.32%	1.19%
Industrial	0.32%	0.57%	0.66%	0.82%	0.92%	0.89%	0.80%	0.72%	0.64%
Lighting	0.18%	0.31%	0.37%	0.50%	0.59%	0.57%	0.50%	0.45%	0.42%
Avg Retail	0.76%	1.31%	1.55%	1.98%	2.27%	2.16%	1.88%	1.68%	1.51%

As Provided to E&Y

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Residential	1.27%	2.07%	2.57%	3.53%	3.91%	3.77%	3.24%	2.93%	2.59%
Commercial	0.63%	1.05%	1.31%	1.78%	1.99%	1.96%	1.72%	1.58%	1.40%
Industrial	0.34%	0.58%	0.72%	0.95%	1.06%	1.05%	0.94%	0.86%	0.77%
Lighting	0.20%	0.32%	0.41%	0.58%	0.67%	0.66%	0.58%	0.54%	0.49%
Avg Retail	0.82%	1.35%	1.68%	2.30%	2.57%	2.51%	2.19%	2.00%	1.78%

DUKE ENERGY CAROLINAS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 7,273,365	\$ 4,904,084	\$ (114,433)	\$ 4,789,651	\$ 416,024	\$ 5,205,675
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,504,692	989,374	170,177	1,159,551	-	1,159,551
3	Purchased power	317,798	194,348	(170,936)	23,412	-	23,412
4	Other operation and maintenance expense	2,029,601	1,375,939	(212,301)	1,163,638	1,580	1,165,218
5	Depreciation and amortization	1,193,762	838,805	360,163	1,198,968	-	1,198,968
6	General taxes	291,829	194,681	17,475	212,156	-	212,156
7	Interest on customer deposits	8,169 (b)	7,130	-	7,130	-	7,130
8	Net income taxes	340,714	224,997	(45,163)	179,835	96,564	276,398
9	EDIT Amortization			(29,734)	(29,734)		(29,734)
10	Amortization of investment tax credit	(5,259)	(3,526)	690	(2,836)	-	(2,836)
11	Total electric operating expenses	5,681,305	3,821,748	90,371	3,912,120	98,144	4,010,263
12	Operating income	\$ 1,592,059	\$ 1,082,336	\$ (204,804)	\$ 877,531	\$ 317,881	\$ 1,195,412
13	Original cost rate base (e)	\$ 21,361,527	\$ 14,556,650	\$ 1,390,087 (d)	\$ 15,946,737	\$ 44,752 (f)	\$ 15,991,489
14	Rate of return on North Carolina retail rate base		7.44%		5.50%		7.48%

Notes: (a) From Form E-1 Item 45A
(b) Reclassifies interest on customer deposits to electric operating expense.
(c) From Page 3, Line 35.
(d) From Page 4, Line 9.
(e) From Page 2.
(f) Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY CAROLINAS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 10,993,064	47.00%	\$ 7,494,966	4.29%	\$ 321,534	\$ 7,516,000	4.29%	\$ 322,436
2	Members' equity (a)	11,682,367	53.00%	8,451,771	6.58%	555,997	8,475,489	10.30%	872,975
3	Total	<u>\$ 22,675,431</u>	<u>100.00%</u>	<u>\$ 15,946,737</u> (b)		<u>\$ 877,531</u> (c)	<u>\$ 15,991,489</u> (b)		<u>\$ 1,195,412</u>
4	Operating income before increase (Line 3, Column 5)								877,531
5	Additional operating income required (Line 3 minus Line 4)								317,881
6	Calculate income tax on incremental interest expense due to increase in cash working capital in proposed revenue								(211)
7	Regulatory fee (.12967%), uncollectibles rate (.2501%) and income taxes (23.3503%)								98,354
8	Additional revenue requirement								<u>\$ 416,024</u>

Notes: (a) The equivalent of common equity for a limited liability company.
(b) From Page 1, Line 12, Column 4 and Column 6.
(c) From Page 1, Line 11, Column 4.

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	EDIT Amortization	Amortization of ITC (Col. 8)	Operating Income
1	Annualize retail revenues for current rates	\$ (110,407)	\$ -	\$ -	\$ (826)	\$ -	\$ -	\$ (25,588)		\$ -	(83,994)
2	Update fuel costs to proposed rate	-	209,105	(169,854)	(21,892)	(3,277)	-	(3,288)		-	(10,794)
2E	Update fuel costs to proposed rate	-	-	-	-	3,277	-	(765)		-	(2,512)
3	Normalize for weather	(109,566)	(26,163)	-	(416)	-	-	(19,378)		-	(63,609)
3F	Normalize for weather - Supplemental	12,757	1,138	-	48	-	-	2,702		-	8,869
4	* Annualize revenues for customer growth	9,942	2,775	-	39	-	-	1,664		-	5,464
4H	Annualize revenues for customer growth - Second Supplemental	15,470	185	-	2,103	-	-	3,078		-	10,104
5	Eliminate unbilled revenues	26,204	-	-	-	-	-	6,119		-	20,085
6	Adjust for costs recovered through non-fuel riders	50,669	(16,862)	(1,082)	(117,348)	(3,071)	(10)	60,905		-	128,138
6F	Adjust for costs recovered through non-fuel riders - Supplemental	-	-	-	(24)	27	-	(1)		-	(2)
7	Adjust O&M for executive compensation	-	-	-	(3,301)	-	-	771		-	2,530
7G	Adjust O&M for executive compensation - Supplemental Rebuttal	-	-	-	(222)	-	-	52		-	170
8	Annualize depreciation on year end plant balances	-	-	-	-	59,172	-	(13,817)		690	(46,045)
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	(121)	-	28		-	92
9	Annualize property taxes on year end plant balances	-	-	-	-	-	7,469.73	(1,744)		-	(5,726)
10	* Adjust for post test year additions to plant in service	-	-	-	-	50,629	6,771	(13,403)		-	(43,998)
10H	Adjust for post test year additions to plant in service - Second Supplemental	-	-	-	-	24,426	4,504	(6,755)		-	(22,175)
11	* Amortize deferred environmental costs	-	-	-	-	95,913	-	(22,396)		-	(73,517)
11E	Adjust deferred environmental - Supplemental	-	-	-	-	(1,970)	-	460		-	1,510
12	Annualize O&M non-labor expenses	-	-	-	2,631	-	-	(614)		-	(2,017)
12H	Adjust non-labor expenses - Second Supplemental	-	-	-	1,941	-	-	(453)		-	(1,488)
13	* Normalize O&M labor expenses	-	-	-	(23,765)	-	(1,162)	5,820		-	19,106
13H	Adjust Normalization O&M Labor Expenses - Second Supplemental	-	-	-	(4,363)	-	138	987		-	3,238
14	Update benefits costs	-	-	-	(1,433)	-	-	335		-	1,099
14E	Update benefits costs	-	-	-	(2,126)	-	-	496		-	1,630
15	* Levelize nuclear refueling outage costs	-	-	-	(2,138)	-	-	499		-	1,639
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	192	-	-	(45)		-	(147)
16	* Amortize rate case costs	-	-	-	801	-	-	(187)		-	(614)
16G	Adjust Amortize Rate Case costs - Supplemental Rebuttal	-	-	-	-	-	-	-		-	-
17	Adjust aviation expenses	-	-	-	(1,986)	-	(27)	470		-	1,543
17G	Adjust aviation expenses - Supplemental Rebuttal	-	-	-	(318)	-	-	74		-	244
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,408	62,706	56	(14,984)		-	(49,187)
19	Adjust for Merger Related Costs	-	-	-	(5,530)	(21)	(73)	1,313		-	4,311
19H	Adjust Merger related Costs - Second Supplemental	-	-	-	-	(35)	-	8		-	27

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	EDIT Amortization	Amortization of ITC (Col. 8)	Operating Income
20	* Amortize Severance Costs	-	-	-	(46,208)	-	-	10,790		-	35,418
20G	Adjust amortization of Severance Costs - Supplemental Rebuttal	-	-	-	(1,255)	-	-	293		-	962
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	(2,707)		-	2,707
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(2,580)		-	2,580
22H	Adjust Synchronize Interest Expense - Second Supplemental	-	-	-	-	-	-	1,567		-	(1,567)
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	-	-	-	103		-	(103)
23H	Adjust Cash Working Capital - Second Supplemental	-	-	-	-	-	-	(102)		-	102
24	Adjust coal inventory	-	-	-	-	-	-	-		-	-
25	* Adjust for credit card fees	-	-	-	8,774	-	-	(2,049)		-	(6,725)
25F	Adjust Credit Card Fees - Supplemental	-	-	-	202	-	-	(47)		-	(155)
26	* Adjust Depreciation for new rates	-	-	-	-	72,133	-	(16,843)		-	(55,290)
26E	Adjust Depreciation for new rates - Supplemental	-	-	-	-	781	-	(182)		-	(599)
27	Adjust vegetation management expenses	-	-	-	7,739	-	-	(1,807)		-	(5,932)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(1,808)	-	422		-	1,386
29	* Update deferred balance and amortize storm costs	-	-	-	-	24,179	-	(5,646)		-	(18,533)
29H	Remove storm costs for securitization - Second Supplemental	-	-	-	-	(24,588)	-	5,741		-	18,846
30	Adjust Other Revenue	(9,502)	-	-	(36)	-	-	(2,210)		-	(7,256)
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	(500)	-	-	117		-	383
32	* Adjust for Hydro Stations Sale	-	-	-	(1,560)	1,773	(193)	(5)		-	(16)
32E	Adjust for Hydro Stations Sale - Supplemental	-	-	-	-	36	-	(8)		-	(27)
33D	Correct Lead Lag Per Books	-	-	-	-	-	-	-		-	-
34F	Remove Certain Test Period Expenses - Rebuttal	-	-	-	(271)	-	-	63		-	208
35G	Amortize Protected EDIT - Supplemental Rebuttal	-	-	-	-	-	-	6,943	(29,734)	-	22,791
36G	Settlement adjustment to remove certain items Supplemental Rebuttal	-	-	-	(4,272)	-	-	997		-	3,274
37G	Storm Normalization - Supplemental Rebuttal	-	-	-	1,610	-	-	(376)		-	(1,234)
35	Total adjustments - Original Filing	\$ (142,660)	\$ 168,854	\$ (170,936)	\$ (205,547)	\$ 358,330	\$ 12,832	\$ (59,918)	\$ -	\$ 690	\$ (246,966)
35H	Changes in Second Supplemental	28,227	1,323	-	(6,754)	1,833	4,642	14,755	(29,734)	-	42,162
	Total Adjustments	\$ (114,433)	\$ 170,177	\$ (170,936)	\$ (212,301)	\$ 360,163	\$ 17,475	\$ (45,163)	\$ (29,734)	\$ 690	\$ (204,804)

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

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	\$ 109,999	-	109,999
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	\$ 14,136	-	14,136
2E	Update fuel costs to proposed rate - Supplemental	-	-	-	-	-	-	-	-	\$ 3,289	-	3,289
3	Normalize for weather	-	-	-	-	-	-	-	-	\$ 83,303	-	83,303
3F	Normalize for weather - Supplemental	-	-	-	-	-	-	-	-	\$ (11,615)	0	(11,615)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	\$ (7,155)	-	(7,155)
4H	Annualize revenues for customer growth - Second Supplemental	-	-	-	-	-	-	-	-	\$ (13,233)	-	(13,233)
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	\$ (26,304)	-	(26,304)
6	Adjust for costs recovered through non-fuel riders	(18,328)	4,243	(42,354)	(19,404)	12,472	-	-	(63,371)	\$ (167,811)	(5,813)	(173,624)
6F	Adjust for costs recovered through non-fuel riders - Supplemental	929	(206)	-	(37,184)	-	-	-	(36,462)	\$ 2	(3,345)	(3,342)
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	\$ (3,314)	-	(3,314)
7G	Adjust O&M for executive compensation - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (222)	-	(222)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	\$ 60,301	-	60,301
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	-	-	-	-	\$ (121)	-	(121)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	\$ 7,498	-	7,498
10	* Adjust for post test year additions to plant in service	1,355,958	(619,363)	-	(4,945)	(17,144)	-	-	714,506	\$ 57,620	65,543	123,162
10H	Adjust for post test year additions to plant in service - Second Supplemental	855,724	(210,833)	-	43,220	(26,302)	-	-	661,809	\$ 29,040	60,709	89,749
11	* Amortize deferred environmental costs	-	-	-	383,653	(89,584)	-	-	294,069	\$ 96,279	26,975	123,254
11E	Adjust deferred environmental - Supplemental	-	-	-	(7,879)	1,840	-	-	(6,039)	\$ (1,977)	(554)	(2,531)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	\$ 2,641	-	2,641
12H	Adjust non-labor expenses - Second Supplemental	-	-	-	-	-	-	-	-	\$ 1,948	-	1,948
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	\$ (25,021)	-	(25,021)
13H	Adjust Normalization O&M Labor Expenses - Second Supplemental	-	-	-	-	-	-	-	-	\$ (4,241)	-	(4,241)
14	Update benefits costs	-	-	-	-	-	-	-	-	\$ (1,439)	-	(1,439)
14E	Update benefits costs	-	-	-	-	-	-	-	-	\$ (2,134)	-	(2,134)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	\$ (2,146)	-	(2,146)
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	-	-	-	-	-	\$ 193	-	193
16	* Amortize rate case costs	-	-	-	3,080	(719)	-	-	2,361	\$ 804	217	1,021
16G	Adjust Amortize Rate Case costs - Supplemental Rebuttal	-	-	-	(3,080)	719	-	-	(2,361)	\$ -	(217)	(217)
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	\$ (2,021)	-	(2,021)
17G	Adjust aviation expenses - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (319)	-	(319)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(139,897)	32,666	-	-	(107,231)	\$ 64,415	(9,836)	54,579
19	Adjust for Merger Related Costs	-	338	-	-	-	-	-	338	\$ (5,645)	31	(5,614)
19H	Adjust Merger related Costs - Second Supplemental	(1,577)	107	-	-	-	-	-	(1,469)	\$ (35)	(135)	(170)

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
20	* Amortize Severance Costs	-	-	-	46,113	(10,767)	-	-	35,345	\$ (46,384)	3,242	(43,141)
20G	Adjust amortization of Severance Costs - Supplemental Rebuttal	-	-	-	(46,113)	10,767	-	-	(35,345)	\$ (1,260)	(3,242)	(4,502)
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	\$ (3,545)	-	(3,545)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	\$ (3,379)	-	(3,379)
22H	Adjust Synchronize Interest Expense - Second Supplemental	-	-	-	-	-	-	-	-	\$ 2,052	-	2,052
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	(20,794)	-	-	-	(20,794)	\$ 135	(1,907)	(1,773)
23H	Adjust Cash Working Capital - Second Supplemental	-	-	-	20,680	-	-	-	20,680	\$ (134)	1,897	1,763
24	Adjust coal inventory	-	-	3,848	-	-	-	-	3,848	\$ -	353	353
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	\$ 8,808	-	8,808
25F	Adjust Credit Card Fees - Supplemental	-	-	-	-	-	-	-	-	\$ 203	-	203
26	* Adjust Depreciation for new rates	-	(72,913)	-	-	-	-	-	(72,913)	\$ 72,408	(6,688)	65,720
26E	Adjust Depreciation for new rates - Supplemental	-	(2)	-	-	-	-	-	(2)	\$ 784	(0)	784
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	\$ 7,768	-	7,768
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	\$ (1,815)	-	(1,815)
29	* Update deferred balance and amortize storm costs	-	-	-	169,251	(39,520)	-	-	129,730	\$ 24,271	11,900	36,171
29H	Remove storm costs for securitization - Second Supplemental	(18,575)	578	-	(169,251)	39,520	-	-	(147,727)	\$ (24,681)	(13,551)	(38,233)
30	Adjust Other Revenue	-	-	-	-	-	-	-	-	\$ 9,502	-	9,502
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	-	-	-	-	-	\$ (502)	-	(502)
32	* Adjust for Hydro Stations Sale	(36,522)	14,093	(146)	19,280	(4,502)	-	-	(7,797)	\$ 20	(715)	(695)
32E	Adjust for Hydro Stations Sale	36,522	(14,093)	-	214	(50)	-	-	22,593	\$ 36	2,073	2,108
33D	Correct Lead Lag Per Books	-	-	-	(16,472)	-	-	-	(16,472)	\$ -	(1,511)	(1,511)
34F	Remove Certain Test Period Expenses	-	-	-	-	-	-	-	-	\$ (272)	-	(272)
35G	Amortize Protected EDIT - Supplemental Rebuttal	-	-	-	29,734	(6,943)	-	-	22,791	\$ (29,847)	2,091	(27,756)
36G	Settlement adjustment to remove certain items Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (4,288)	-	(4,288)
37G	Storm Normalization - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ 1,616	-	1,616
38	Total adjustments - Original Filing	\$ 1,301,107	\$ (673,602)	\$ (38,652)	\$ 436,337	\$ (117,099)	\$ -	\$ -	\$ 908,092	\$ 323,429	\$ 83,301	\$ 406,730
38H	Changes in Second Supplemental	873,023	(224,448)	-	(186,132)	19,552	-	-	481,995	\$ (55,215)	44,214	(11,001)
	Total Adjustments	\$ 2,174,130	\$ (898,050)	\$ (38,652)	\$ 250,204	\$ (97,546)	\$ -	\$ -	\$ 1,390,087	\$ 268,214	\$ 127,515	\$ 395,729
Notes:	* Identification required by NCUC Rule R1-17(b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DUKE ENERGY CAROLINAS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 41,057,320	\$ 27,969,103	\$ 2,174,130	\$ 30,143,233
2	Less: Accumulated depreciation and amortization	4b	(15,830,487)	(10,810,668)	(898,050)	(11,708,718)
3	Net electric plant		25,226,833	17,158,435	1,276,081	18,434,515
4	Add: Materials and supplies	4c	994,443	678,077	(38,652)	639,426
5	Working capital investment	4d	(406,979)	(253,955)	250,204	(3,751)
6	Less: Accumulated deferred taxes		(3,824,449)	(2,601,854)	(97,546) (a)	(2,699,400)
7	Operating reserves		(628,321)	(424,053)	-	(424,053)
8	Construction work in progress		-	-	-	-
9	Total		\$ 21,361,527	\$ 14,556,650	\$ 1,390,087	\$ 15,946,737

DUKE ENERGY CAROLINAS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 22,181,205	\$ 14,978,527	\$ 868,572	\$ 15,847,099
2	Transmission Plant	4,052,747	2,179,775	281,942	2,461,717
3	Distribution Plant	12,085,804	8,938,158	848,858	9,787,016
4	General Plant	1,212,985	830,763	121,110	951,873
5	Intangible Plant	986,751	687,541	53,649	741,191
6	Subtotal	40,519,492 (a)	27,614,764	2,174,130	29,788,895
7	Nuclear Fuel (Net)	537,828	354,338	-	354,338
8	Total electric plant in service	\$ 41,057,320	\$ 27,969,103	\$ 2,174,130	\$ 30,143,233

Notes: (a) Excludes asset retirement obligations, electric plant held for future use, and electric plant acquisition adjustments totaling \$642,372 thousand.
(b) Reflects certain plant in service additions/retirements through January 2020, and a reduction for solar electric plant recovered through the REPS rider.

DUKE ENERGY CAROLINAS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DECEMBER 31, 2018
(Thousands of Dollars)

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (8,604,490)	\$ (5,795,067)	\$ (647,308)	\$ (6,442,375)
2	Transmission Reserve	(1,385,391)	(745,942)	(28,119)	(774,061)
3	Distribution Reserve	(4,816,028)	(3,561,642)	(123,998)	(3,685,640)
4	General Reserve	(414,681)	(285,334)	(34,371)	(319,705)
5	Intangible Reserve	<u>(609,897)</u>	<u>(422,682)</u>	<u>(64,254)</u>	<u>(486,936)</u>
6	Total	<u>\$ (15,830,487)</u>	0 <u>\$ (10,810,668)</u>	<u>\$ (898,050)</u>	<u>\$ (11,708,718)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	4.40%			
9	Nuclear production plant	3.60%			
10	Hydro production plant	2.00%			
11	Other production plant	3.21%			
12	Transmission plant	2.23%			
13	Distribution plant	2.28%			
14	General plant	Various			
15	Intangible plant	20.00%			

Notes: (a) Excludes accumulated amortization of electric plant acquisition adjustment and accumulated depreciation related to asset retirement obligations totaling (\$107,345) thousand.
(b) Consists of adjustments to depreciation for year-end plant and certain plant additions/retirements through January 2020.

DUKE ENERGY CAROLINAS, LLC
MATERIALS AND SUPPLIES
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 175,291	\$ 115,487	\$ 3,848 [a]	\$ 119,336
2	Gas	45,470	29,957	-	29,957
3	Total fuel stock	220,761	145,444	3,848	149,293
4	Other electric materials and supplies and stores clearing	773,682	532,633	(42,500) [b]	490,133
5	Total Materials and Supplies	\$ 994,443	\$ 678,077	\$ (38,652)	\$ 639,426

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 35 days at full load.
(b) Eliminates (\$42,354) thousand of costs recorded in connection with non-fuel riders and (\$146) related to sale of hydro plants.

DUKE ENERGY CAROLINAS, LLC
WORKING CAPITAL INVESTMENT
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations			Impact of Rev Incr (Col. 5)	With Rev Incr (Col. 6)
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)		
1	Required bank balance	\$ 300	\$ 204	\$ -	\$ 204		\$ 204
2	Investor advanced funds: Operating funds per lead-lag study	260,829	177,740 (a)	(16,586) (b)	161,154	44,752 (c)	205,906
3	Unamortized Debt	114,911	78,306	-	78,306	-	78,306
4	Pension Funding	580,864	394,363	-	394,363	-	394,363
5	Injuries and Damages	705,912	477,557	-	477,557	-	477,557
6	Regulatory Asset and Liability - Tax	(3,338,909)	(2,208,434)	-	(2,208,434)	-	(2,208,434)
7	Other	1,395,698	922,916	266,791	1,189,707	-	1,189,707
8	Total investor advanced funds	(280,695)	(157,552)	250,204	92,652	44,752	137,404
9	Less: customer deposits	(126,585)	(96,608)	-	(96,608)	-	(96,608)
10	Total working capital investment	\$ (406,979)	\$ (253,955)	\$ 250,204	\$ (3,751)	\$ 44,752	\$ 41,001

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Summary of Proposed Revenue Adjustments
For the test period ended December 31, 2018

McManeus Second Supplemental
Exhibit 2

Line No.	Description	NC Retail
1		
2	Revenue Requirement from Exhibit 1	\$ 416,024
3	Adjustment	(1,495)
4	Adjusted Base Rate Revenue Requirement	<u>\$ 414,529</u>
5	EDIT Rider	(123,772)
6	Total Requested Increase	<u>\$ 290,757</u>

DUKE ENERGY CAROLINAS, LLC
Revenue Requirement
Docket E7 Sub 1214
(Thousands of Dollars)

McManeus Second Supplemental
Exhibit 3

Line No.	Item	Amount
1	Revenue requirement increase per Company Supplemental Filing	\$464,585
2	Revenue Requirement impact of Rebuttal	101
3	Revenue Impact of Supplemental Rebuttal including Settlement	(97,052)
4	Other	
5	Revenue requirement increase per Company Rebuttal Filing	\$367,634
6		
7	May Updates	
8	NC0400 Annualize revenues for customer growth	11,496
9	NC1000 Adjust for post test year additions to plant in service	32,624
10	NC1200 Annualize O&M non-labor expenses	(3,221)
11	NC1300 Normalize O&M labor expenses	8,440
12	NC1900 Adjust merger related costs	(34)
13	NC2200 Adjust synchronized interest expense	(1,038)
14	NC2300 Adjust cash working capital under present rates	(370)
15	NC2300 Adjust cash working capital under proposed rates	479
16	NC2900 Remove storm costs for securitization	13
17		
18	Total Revenue impacts from Adjustments	\$ 48,390
19		
20	Adjustment	(1,495)
21		
22	Revenue Requirement	\$ 414,529

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize revenues for customer growth
For the test period ended December 31, 2018

NC-0400
Narrative
May - Second Supplemental

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to revenue is determined as follows:

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

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

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

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

This adjustment updates revenues to reflect customer growth experienced beyond the Test Period, through July 2019. The underlying calculations reflect the same methods used in the Company's rebuttal testimony as explained by Company witness Pirro in Docket E-7 Sub 1146.

January update

NC-0403 was updated for the updated weather impacts reflected in NC-300 as well as customer growth information through January 2020. Removed the usage adjustment for classes T & T2 lighting.

January Rebuttal

NC-0402 was separated into (a) Customer Growth versus (b) Usage adjustments.

For the Usage adjustments, removed Basic Facilities charge from the rate

NC-0403 was separated into Customer Growth versus Usage adjustments.

NC-0404 - Calculations excluding BFC and OPT added.

NC-0405 - Adopted Public Staff's adjustments to Other O&M

Supplemental Rebuttal

Updated NC-0405 General and Industrial to reflect the number of bills added to the test period for new accounts and the number of bills removed from the test period for closed accounts from DEC's customer-by-customer approach for calculating customer growth in alignment with the Public Staff.

May Second Supplemental

Updated NC-0403 and NC 0405 through May 31, 2020

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0400
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May - Second Supplemental

Line No.	Description	Source	Total NC Retail May - Second Supplemental	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue	NC-0401	\$ 25,412	\$ 45,632	\$ 9,942	\$ 15,470
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation	NC-0401	2,960	10,900	2,775	185
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-0401	2,142	2,969	39	2,103
11	Depreciation and amortization		-	-	-	-
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-0401	4,743	7,417	1,664	3,078
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	9,844	21,286	4,478	5,366
18						
19	Operating income	L4 - L17	\$ 15,568	\$ 24,346	\$ 5,464	\$ 10,104
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization					
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies					
34	Working capital investment					
35						
36						
37	Less:					
38	Accumulated deferred taxes					
39	Operating reserves					
40						
41						
42	Construction work in progress					
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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

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Line No.	Description	NC Residential	NC General Service Small and Large	NC General Miscellaneous SGS (BC)	NC Street Lighting T & T2	NC Street Lighting TS	NC Industrial	Total NC Retail	
1									
2	Customer growth and usage revenue adjustment	\$ 46,795	\$ (14,389)	\$ 7	\$ 259	\$ (51)	\$ (7,210)	\$ 25,412	[1]
3	Impact to revenue (L2)	\$ 46,795	\$ (14,389)	\$ 7	\$ 259	\$ (51)	\$ (7,210)	\$ 25,412	
4									
5	Proposed fuel and fuel related costs ¢/kWh (excluding EMF)	1.8126	1.9561	1.9561	1.9561	1.9561	1.8934		[2]
6	Customer growth and usage adjustment to kWh sales	434,357,026	(131,214,659)	(711,244)	1,492,617	(454,410)	(124,288,870)	179,180,460	
7	Impact to fuel (L5 x (L6 / 100,000))	\$ 7,873	\$ (2,567)	\$ (14)	\$ 29	\$ (9)	\$ (2,353)	\$ 2,959,576	
8									
9	Other O&M	\$ 2,608	\$ (280)	\$ 3	\$ 20	\$ 0	\$ (307)	\$ 2,045	[6]
10									
11	Calculation of NCUC Regulatory Fee and Uncollectibles								
12	Uncollectibles Rate	0.25010%	0.25010%	0.25010%	0.25010%	0.25010%	0.25010%		[3]
13	Statutory regulatory fee percentage rate	0.12967%	0.12967%	0.12967%	0.12967%	0.12967%	0.12967%		[4]
14	Impact to O&M (L3 x (L12 + L13) + L9)	\$ 2,786	\$ (335)	\$ 3	\$ 21	\$ 0	\$ (334)	\$ 2,142	
15									
16	Taxable income (L3 - L7 - L14)	\$ 36,136	\$ (11,488)	\$ 18	\$ 209	\$ (42)	\$ (4,523)	\$ 20,311	
17									
18	Statutory tax rate	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	[5]
19	Impact to income taxes (L16 x L18)	\$ 8,438	\$ (2,682)	\$ 4	\$ 49	\$ (10)	\$ (1,056)	\$ 4,743	
20									
21	Impact to operating income (L16 - L19)	\$ 27,698	\$ (8,806)	\$ 14	\$ 160	\$ (32)	\$ (3,467)	\$ 15,568	

[1] NC-0402a + NC-0402b - Calculation of Customer Growth and Usage Revenue Adjustments

[2] NC-0202 - Proposed fuel and fuel related costs ¢/kWh (excluding EMF), Docket No. E-7, Sub 1190, McGee Exhibit 1, Line 9

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

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

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

[6] NC-0405 Customer Growth and Usage Adjustment to Other O&M

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0402
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Calculation of Customer Growth

Line No.	Rate Schedule	NC Proposed kWh Adjustment (a)		Cents Per kWh (b)		Revenue Adjustment (c) = (a) x (b)
1	NC Residential	781,354,846	[1]	8.46	[3]	\$ 66,118
2						
3	General Service Small and Large	134,842,231	[1]	6.96	[2]	9,391
4	Miscellaneous	507,895	[1]	15.68	[2]	80
5	NC General: Total (L3 + L4)	135,350,126				\$ 9,471
6						
7	T & T2	1,492,617	[1]	17.35	[2]	259
8	TS	104,632	[1]	16.92	[2]	18
9	NC Street Lighting: Total (L7 + L8)	1,597,249				\$ 277
10						
11	NC Industrial: Total	194,016,091	[1]	5.59	[2]	\$ 10,849
12						
13		<u># of Customers</u>		<u>BFC</u>		
14	NC Residential Change in number of customers	717,134		14.00	[4]	\$ 10,040
15						
16	NC Retail: Total (L1 + L5 + L9 + L11 + L14)					<u>\$ 96,755</u>

[1] NC-0403 - Customer Growth and Usage Adjustment to kWh Sales

[2] NC-0404 - Present Revenues Annualized and Per Book kWh Sales - North Carolina Retail

[3] NC-0404 - Present Revenues Annualized excluding Basic Facilities Charge and Per Book kWh Sales - North Carolina Retail

[4] Residential Basic Facilities Charge \$14

Duke Energy Carolinas, LLC
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Annualize revenues for customer growth
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Calculation of Customer Usage Revenue Adjustment

Line No.	Rate Schedule	NC Proposed kWh Adjustment (a)	Cents Per kWh (b)	Revenue Adjustment (c) = (a) x (b)
1	NC Residential (L1 + L2)	(346,997,820) [1]	8.46 [2]	\$ (29,363)
2				
3	General Service Small and Large			
4	General Service (OPT only)	108,928,665 [1]	5.75 [2]	6,266
5	General Service (non-OPT only)	(374,985,555) [1]	8.01 [2]	(30,046)
6	Miscellaneous	(1,219,139) [1]	5.95 [2]	(73)
7	NC General: Total (L3 + L6)	(267,276,029)		\$ (23,853)
8				
9	T & T2	- [1]	17.35 [2]	-
10	TS	(559,042) [1]	12.21 [2]	(68)
11	NC Street Lighting: Total (L9 + L10)	(559,042)		\$ (68)
12				
13	Industrial	-		
14	Industrial (OPT only)	(248,727,531) [1]	5.27 [2]	(13,117)
15	Industrial (non-OPT only)	(69,577,430) [1]	7.10 [2]	(4,942)
16	NC Industrial: Total	(318,304,961)		\$ (18,058)
17				
18	NC Retail: Total (L1 + L7 + L11 + L16)	<u>\$ (933,137,852)</u>		<u>\$ (71,342)</u>

[1] NC-0403 - Customer Growth and Usage Adjustment to kWh Sales

[2] NC-0404 - Present Revenues Annualized excluding Basic Facilities Charge and Per Book kWh Sales - North Carolina Retail

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Customer Growth and Usage Adjustment to kWh Sales

Test Period + 12 Months

Line No.	Rate Schedule	NC Proposed Customer Growth kWh Adjustment	NC Proposed Change in Usage kWh Adjustment	NC Proposed kWh Adjustment
1				
2	NC Residential	781,354,846	(346,997,820)	434,357,026
3				
4	NC General:			
5	General Service Small and Large	134,842,231		134,842,231
6	General Service (OPT only)		108,928,665	108,928,665
7	General Service (non-OPT only)		(374,985,555)	(374,985,555)
8	Miscellaneous	507,895	(1,219,139)	(711,244)
9	Total General	135,350,126	(267,276,029)	(131,925,903)
10				
11	NC Public Street Lighting:			
12	T & T2	1,492,617		1,492,617
13	TS	104,632	(559,042)	(454,410)
14	Total Street Lighting	1,597,249	(559,042)	1,038,207
15				
16	NC Industrial:			
17	Industrial	194,016,091		194,016,091
18	Industrial (OPT only)		(248,727,531)	(248,727,531)
19	Industrial (non-OPT only)		(69,577,430)	(69,577,430)
20	Total Industrial	194,016,091	(318,304,961)	(124,288,870)
21				
22				
23	Total	1,112,318,312	(933,137,852)	179,180,460

Notes:

Two approved methods are used for estimating the growth adjustment depending on the class/schedule

"Regression" refers to the use of Ordinary Least Squares Regression

"Customer" refers to the use of the Customer by Customer approach

Information provided by Duke Energy Carolinas Rate Design

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize revenues for customer growth
For the test period ended December 31, 2018

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Billed Revenues and Present Revenues Annualized - North Carolina Retail

			North Carolina Retail					
Line No.	Group	Description	Present Revenues Annualized	Basic Facilities Charge	Present Revenue Excluding Basic Facilities	Per Book kWh Sales [2]	All-Inclusive ¢ / kWh	w/o BFC ¢ / kWh
1								
2	Residential:	RS - Residential Service	1,284,911,226	(170,002,367)	1,114,908,859	12,770,077,451		
3		ES - Energy Star	12,173,564	(1,455,441)	10,718,122	120,905,311		
4		RE - Electric Water Heating and Space Conditioning	915,282,512	(121,772,379)	793,510,133	9,780,681,958		
5		RE-ESA - Energy Star	3,848,399	(529,698)	3,318,701	41,424,066		
6		RT - Residential Service, Time of Use	4,077,140	(328,232)	3,748,908	49,940,125		
7	Residential: Total		2,220,292,841	(294,088,116)	1,926,204,724	22,763,028,911	9.75	8.46
8	General:	SGS - Small General Service	455,242,733	(51,912,272)	403,330,462	4,500,519,842		
9		SGSCATV - Small General Service	4,657,664	(2,114,698)	2,542,966	50,651,695		
10		LGS - Large General Service	376,184,722	(2,624,211)	373,560,511	5,130,566,670		
11	OPT - G	OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	190,231,067	(19,500)	190,211,567	3,607,269,535		
12		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	23,399,929	(17,129)	23,382,801	417,169,338		
13		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	11,000,796	(39,352)	10,961,443	202,612,504		
14		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	41,923,082	(8,435)	41,914,647	769,828,955		
15		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	63,473,610	(50,699)	63,422,911	1,089,739,374		
16		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	414,386,352	(6,108,378)	408,277,974	6,575,623,038		
17		OPT-V-T - Optional Power Service-Time of Use with Voltage Differential	46,442,756	(1,123)	46,441,633	975,215,550		
18		OPTEG	1,023,151	(399)	1,022,752	20,012,800		
19	HP	HPLGS	701,127		701,127	11,434,576		
20		HP-OPTVG (standby excluded)	4,335,546		4,335,546	103,290,772		
21		HP-OPTVG (standby charges)	490,278		490,278			
22	General: OPT Only		791,880,743	(6,245,014)	785,635,729	13,657,471,094		5.75
23	General: Non-OPT Only		841,612,070	(56,651,181)	784,960,889	9,796,463,555		8.01
24	General: Total		1,633,492,813	(62,896,195)	1,570,596,618	23,453,934,649	6.96	6.70
25	Miscellaneous:	BC - Building Construction Service	2,534,095	(1,572,784)	961,311	16,159,670	15.68	5.95
26	OPT - I	OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	256,905,512	(32,050)	256,873,463	5,080,509,244		
27		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	13,247,804	(8,038)	13,239,766	244,380,680		
28		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	7,099,896	(8,099)	7,091,798	180,146,666		
29		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	108,960,913	(22,052)	108,938,861	2,088,573,304		
30		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	80,880,912	(60,531)	80,820,381	1,410,849,158		
31		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	71,977,271	(301,065)	71,676,206	1,175,951,129		
32		OPT-V-T - Optional Power Service-Time of Use with Voltage Differential	12,008,128	(386)	12,007,742	261,404,000		
33	HP	HPI	72,517		72,517	1,427,133		
34		HP-OPTVI (standby excluded)	3,927,608		3,927,608	65,598,462		
35		HP-OPTVI (standby charges)	113,258		113,258	-		
36	Industrial:	I - Industrial Service	146,840,106	(853,789)	145,986,317	2,046,808,938		
37		PG - Parallel Generation	45,198	(4,625)	40,573	100,500		
38	Industrial: OPT Only		551,080,436	(432,221)	550,648,216	10,441,814,181		5.27
39	Industrial: Non-OPT Only		150,998,687	(858,414)	150,140,273	2,113,935,033		7.10
40	Industrial: Total		702,079,123	(1,290,635)	700,788,489	12,555,749,214	5.59	5.58
41	Lighting:	PL - Street and Public Lighting Service	27,263,723			232,673,040		
42		GL - Governmental Lighting Service	2,953,173			18,709,804		
43		OL - Outdoor Lighting Service	72,464,299			322,381,128		
44		FL - Flood Lighting Service	15,608,277			107,709,339		
45		S - Unmetered Sign (Nantahala)	3,100			-		
46		NL - Nonstandard Lighting Service	14,755			275,017		
47	T & T2 Total		118,307,327			681,748,328	17.35	
48	TS	TS - Traffic Signal Service	1,706,335	(475,266)	1,231,069	10,081,816	16.92	12.21
49	Grand Total		4,678,412,534	(360,322,996)	4,199,782,211	59,480,702,588		

McManeus Second Supplemental Exhibit 1

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

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Customer Growth and Usage Adjustment to Other O&M

Line No.		<u>Adjustment to</u> <u>MWH Sales</u>	<u>O&M</u> <u>Per MWH</u>	<u>Adjustment</u>
1	<u>Energy related non fuel O&M</u>			
2	Residential	434,357	\$2.46 [1]	\$ 1,069
3	General Service	(131,215)	\$2.46	(323)
4	Miscellaneous	(711)	\$2.46	(2)
5	Lighting T & T2	1,493	\$2.46	4
6	Lighting TS	(454)	\$2.46	(1)
7	Industrial	(124,289)	\$2.46	(306)
8	Total	<u>179,180</u>		<u>\$ 441</u>
9				
		<u>Projected</u> <u>Number of Bills</u>		
	<u>Test Year</u>	<u>at End of</u>	<u>Change in number of</u>	<u>Cost per</u>
10	<u>Customer related variable O&M</u>	<u>Number of bills</u>	<u>Extended Period</u>	<u>bill</u>
11	Residential	20,636,578	21,353,712	717,134
12	General Service	3,127,951	3,148,138	20,187
13	Miscellaneous	92,201	94,356	2,155
14	Lighting T & T2	3,421,490	3,429,000	7,510
15	Lighting TS	70,965	71,664	699
16	Industrial	57,951	57,625	(326)
17	Total	<u>27,407,136</u>	<u>28,154,495</u>	<u>747,359</u>
18				
19	Total Adjustment			<u>\$ 2,045</u>

Notes

- [1] Public Staff Witness Boswell Supplemental and Stipulation Sch 3-1 Var O&M Rate Line 25
[1] Public Staff Witness Boswell Supplemental and Stipulation Sch 3-1 Bill-Related Rate Line 20

Duke Energy Carolinas, LLC
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Adjust for post test year additions to plant in service
For the test period ended December 31, 2018

NC-1000
Narrative
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E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts depreciation expense, general taxes, income taxes, electric plant in service, accumulated depreciation and accumulated deferred income taxes to reflect net additions to plant in service.

The impact to operating income is determined as follows:

The adjustment to depreciation expense reflects a full year's level of depreciation on net additions to plant in service by multiplying the projected net additions to electric plant by depreciation rates based on the new depreciation study.

The adjustment to general taxes reflects estimated annual property tax expense related to the net additions to plant in service. Property taxes are estimated by multiplying the projected net additions to electric plant by a combined North Carolina and South Carolina property tax rate.

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

The impact to rate base is determined as follows:

The adjustment to electric plant in service reflects projected updates to electric plant in service through May 2020.

The adjustment to accumulated depreciation reflects projected updates to the accumulated depreciation balance through May 2020 and annualized depreciation expense based on forecasted May 2020 electric plant in service balances.

The adjustment to working capital investments reflects projected updates to the unrecovered net book value of retired meters regulatory asset through May 2020.

The adjustment to accumulated deferred income taxes reflects the impacts of forecasted bonus depreciation on gross plant additions through May 2020.

September Update

Updated NC-1005, NC-1008, NC-1009 and NC-1010 for actuals through September 2019.

October Update

Updated NC-1005, NC-1008, NC-1009 and NC-1010 for actuals through October 2019.

November Update

Updated NC-1005, NC-1008, NC-1009 and NC-1010 for actuals through November 2019.

December Update

Updated NC-1005, NC-1006, NC-1007, NC-1008, NC-1009 and NC-1010 for actuals through December 2019.

January Update

Updated NC-1001, NC-1005, NC-1006, NC-1007, NC-1008, NC-1009 and NC-1010 for actuals through January 2020.

Updated NC-1004 for revised estimated 2019 bonus depreciation.

Updated NC-1002, NC-1003, and NC-1006 for updated solar percentages being recovered in the REPS rider.

Updated NC-1001 to remove the impact of AMR meter retirements from the depreciation expense calculation.

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Updated all tabs for actuals through May 2020.

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Line No.	Description	Source	Total NC Retail May - Second Supplemental	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1						
2	Pro Formas Impacting Income Statement Line Items					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense		-	-	-	-
11	Depreciation and amortization	NC-1001	75,055	61,010	50,629	24,426
12	General taxes	NC-1001	11,276	9,257	6,771	4,504
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-1001	(20,158)	(16,407)	(13,403)	(6,755)
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	66,172	53,859	43,998	22,175
18						
19	Operating income	L4 - L17	<u>\$ (66,172)</u>	<u>\$ (53,859)</u>	<u>\$ (43,998)</u>	<u>\$ (22,175)</u>
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	Pro Formas Impacting Rate Base Line Items					
27						
28	Electric plant in service	NC-1001	\$ 2,211,682	\$ 1,817,054	\$ 1,355,958	\$ 855,724
29	Accumulated depreciation and amortization	NC-1001	(830,195)	(606,554)	(619,363)	(210,833)
30	Electric plant in service, net	Sum L28 through L29	<u>\$ 1,381,486</u>	<u>\$ 1,210,500</u>	<u>\$ 736,595</u>	<u>\$ 644,891</u>
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		38,275	39,542	(4,945)	43,220
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes	NC-1001	(43,445)	(42,256)	(17,144)	(26,302)
39	Operating reserves		-	-	-	-
40			-	-	-	-
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	<u>\$ 1,376,315</u>	<u>\$ 1,207,785</u>	<u>\$ 714,506</u>	<u>\$ 661,809</u>
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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Line No.	Description	Electric Plant	Depr Rate	Depr.	Total Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Impact to Rate Base Line Items</u>						
2	<u>Total net additions to electric plant:</u>						
3	Fossil	\$ 618,319 [1]	4.40% [2]	\$ 27,206			
4	Nuclear	303,398 [1]	3.60% [2]	10,922			
5	Hydro	246,162 [1]	2.00% [2]	4,923			
6	Other Production	145,946 [1]	3.21% [2]	4,685			
7	Transmission	538,358 [1]	2.23% [2]	12,005			
8	Distribution	1,237,023 [1]	2.20% [17]	27,242			
9	Distribution - AMR Meter Retirements	(64,116) [16]					
10	General	175,465 [1]	5.27% [2]	9,247			
11	Intangible	77,728 [1]		14,505 [13]			
12	Total net additions to depreciable electric plant (L3 through L11)	<u>\$ 3,278,282</u>		<u>\$ 110,737</u>			
13							
14	<u>Summary of impacts to rate base</u>						
15	<u>Net additions to total electric plant in service:</u>						
16	Production (Sum of L3 through L6)				\$ 1,313,824	67.4345% [4]	\$ 885,971
17	Transmission (L7)				538,358	52.6634% [5]	283,518
18	Distribution (L8 + L9)				1,172,906	73.9558% [6]	867,433
19	General (L10)				175,465	69.0221% [7]	121,110
20	Intangible (L11)				77,728	69.0221% [7]	53,649
21	Impact to electric plant in service (Sum L16 through L20)				<u>\$ 3,278,282</u>		<u>\$ 2,211,682</u>
22							
23	<u>Accumulated depreciation & amortization:</u>						
24	Production				\$ (839,031) [3]	67.4345% [4]	\$ (565,797)
25	Transmission				(43,067) [3]	52.6634% [5]	(22,680)
26	Distribution				(157,316) [3]	73.9558% [6]	(116,344)
27	General				(44,639) [3]	69.0221% [7]	(30,811)
28	Intangible				(96,840) [3]	69.0221% [7]	(66,841)
29	Adjustment to accumulated depreciation & amortization (Sum L24 through L28)				<u>\$ (1,180,894)</u>		<u>\$ (802,474)</u>
30	Additional adjustment for May 31, 2020 annualization				<u>\$ (46,367) [14]</u>		<u>\$ (27,722) [14]</u>
31	Impact to accumulated depreciation and amortization (L29 + L30)				<u>\$ (1,227,260)</u>		<u>\$ (830,195)</u>
32							
33	<u>Net electric plant:</u>						
34	Production (L16 + L24)				\$ 474,793		\$ 320,175
35	Transmission (L17 + L25)				495,292		260,838
36	Distribution (L18 + L26)				1,015,590		751,089
37	General (L19 + L27)				130,826		90,299
38	Intangible (L20 + L28)				(19,113)		(13,192)
39	Adjustment to net plant (Sum L34 through L38)				<u>\$ 2,097,389</u>		<u>\$ 1,409,208</u>
40	Additional adjustment for May 31, 2020 annualization				<u>\$ (46,367) [14]</u>		<u>\$ (27,722) [14]</u>
41	Total net plant (L39 + L40)				<u>\$ 2,051,022</u>		<u>\$ 1,381,486</u>
42							
43	<u>Working capital investment:</u>						
44	Net change in NC Unrecovered NBV of Retired Meters				\$ 38,275 [15]		\$ 38,275
45	Impact to working capital investment (L44)				<u>\$ 38,275</u>		<u>\$ 38,275</u>
46							
47	<u>Accumulated deferred income tax:</u>						
48	<u>Resulting from additional bonus depreciation:</u>						
49	Production				\$ (39,440) [8]	68.0166% [9]	\$ (26,826)
50	Transmission				(3,859) [8]	68.0166% [9]	(2,625)
51	Distribution				(4,532) [8]	68.0166% [9]	(3,083)
52	General & Intangible				(2,903) [8]	68.0166% [9]	(1,975)
53	Adjustment resulting from additional bonus depreciation (Sum L49 through L52)				<u>\$ (50,735)</u>		<u>\$ (34,508)</u>
54	Adjustment resulting from working capital investment				<u>\$ (8,937) [15]</u>		<u>\$ (8,937) [15]</u>
55	Impact to accumulated deferred income tax (L53 + L54)				<u>\$ (59,672)</u>		<u>\$ (43,445)</u>
56							
57	Impact to rate base (L41 + L45 + L55)				<u>\$ 2,029,624</u>		<u>\$ 1,376,315</u>

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Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
58	<u>Impact to Income Statement Line Items</u>			
59	<u>Depreciation and amortization:</u>			
60	Production (Sum of L3 through L6)	\$ 47,736	67.4345% [4]	\$ 32,191
61	Transmission (L7)	12,005	52.6634% [5]	6,322
62	Distribution (L8)	27,242	73.9558% [6]	20,147
63	General & Intangible (Sum of L10 through L11)	23,752	69.0221% [7]	16,394
64	Impact to depreciation and amortization (Sum L60 through L63)	<u>\$ 110,737</u>		<u>\$ 75,055</u>
65				
66	<u>General taxes:</u>			
67	Average property tax rate - North Carolina	0.21486% [10]		
68	Average property tax rate - South Carolina	0.30770% [10]		
69	Average property tax rate-Combined NC and SC (L67 + L68)	<u>0.52256%</u>		
70				
71	Production - Excluding Solar ((L16 - NC-1002 Line 17) x L69)	\$ 6,863	67.4345% [4]	\$ 4,628
72	Production - Solar	1 [12]	67.4345% [4]	0
73	Transmission (L17 x L69)	2,813	52.6634% [5]	1,482
74	Distribution (L18 x L69)	6,129	73.9558% [6]	4,533
75	General (L19 x L69)	917	69.0221% [7]	633
76	Impact to general taxes (Sum L71 through L75)	<u>\$ 16,723</u>		<u>\$ 11,276</u>
77				
78	Taxable income (-L64 - L76)	\$ (127,460)		\$ (86,331)
79	Statutory tax rate	23.3503% [11]		23.3503% [11]
80	Impact to income taxes (L78 x L79)	<u>\$ (29,762)</u>		<u>\$ (20,158)</u>
81				
82	Impact to operating income (L78 - L80)	<u>\$ (97,697)</u>		<u>\$ (66,172)</u>

[1] NC-1002 - Net Plant Adds

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

[3] NC-1003 - Accumulated Depreciation

[4] Allocation Factor - All Production Demand

[5] Allocation Factor - All Transmission Demand

[6] Allocation Factor - All - Dist Plant - DEC

[7] Allocation Factor - All - Intang and Gen Plt

[8] NC-1004 - Accumulated Deferred Income Taxes Calculation

[9] Allocation Factor - All - NETPLT w Nfuel

[10] NC-0901 - Annualize property taxes on year end plant balances, Line 13

[11] NC-0104 - 2019 Calculation of Tax Rates - Composite Tax Rate, Line 10

[12] NC-1002 - Net Plant Additions - Solar additions are included at 20% of total based on property tax exclusion for solar assets per Duke Energy Carolinas Tax Department.

[13] Updated annualized depreciation on intangible additions per Asset Accounting.

[14] NC-1006 - Accumulated Depreciation Annualization Adjustment

[15] NC-1005 - NC Unrecovered Net Book Value of Retired Meters, Line 24 and Line 28

[16] AMR meter retirements from Asset Accounting. AMR meter retirements should not have an impact on depreciation expense, recovering retired AMR meters in reg asset.

[17] Distribution composite rate without AMR meter line from the proposed 2018 Depreciation Study

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Net Plant Adds

Line No.	Item	Total Carolinas		
		Actual [1] Net Change through 05/31/2020	Adjustments	Total Adjusted Net Change Plant in Service
1	<u>Electric Plant in Service:</u>			
2	Steam plant	\$ 618,319		\$ 618,319
3	Nuclear plant	303,398		303,398
4	Hydro plant	246,162		246,162
5	Other production plant	145,869	77 [6]	145,946
6	Transmission plant	538,358		538,358
7	Distribution plant	1,172,906		1,172,906
8	General plant	175,465		175,465
9	Intangible plant	77,728		77,728
10	Total Electric Plant in Service (Sum L2 through L9)	\$ 3,278,205	\$ 77	\$ 3,278,282
11				
12	<u>Solar Electric Plant in Service Included in Line 5 above:</u>			
13	Solar PVDG	\$ (260)	\$ 108 [2]	\$ (151)
14	Solar Monroe	(22)	1 [3]	(22)
15	Solar Mocksville	-	- [4]	-
16	Solar Woodleaf	711	(32) [5]	679
17	Total Solar Included in Line 5 above (Sum L13 through L16)	\$ 429	\$ 77	\$ 506

[1] NC-1008 - Plant in Service Balances

[2] Per NC-0603, 41.68% of Solar PVDG costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[3] Per NC-0603, 3.85% of Solar Monroe costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[4] Per NC-0603, 3.71% of Solar Mocksville costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[5] Per NC-0603, 4.50% of Solar Woodleaf costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[6] Excluding the portion of net change related to Solar costs that are collected in the REPS rider.

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Accumulated Depreciation

Line No.	Item	Total Carolinas		Total Adjusted Net Change Accumulated Depreciation
		Actual [1] Net Change through 05/31/2020	Adjustments	
1	<u>Accumulated Depreciation</u>			
2	Steam plant	\$ (408,202)		\$ (408,202)
3	Nuclear plant	(287,369)		(287,369)
4	Hydro plant	1,464		1,464
5	Other production plant	(146,194)	1,270 [6]	(144,924)
6	Transmission plant	(43,067)		(43,067)
7	Distribution plant	(157,316)		(157,316)
8	General plant	(44,639)		(44,639)
9	Intangible plant	(96,840)		(96,840)
10	Total Accumulated Depreciation (Sum L2 through L9)	\$ (1,182,164)	\$ 1,270	\$ (1,180,894)
11				
12	<u>Solar Accumulated Depreciation Included in Line 5 above:</u>			
13	Solar PVDG	\$ (1,989)	\$ 829 [2]	\$ (1,160)
14	Solar Monroe	(8,333)	321 [3]	(8,012)
15	Solar Mocksville	(2,223)	82 [4]	(2,140)
16	Solar Woodleaf	(846)	38 [5]	(808)
17	Total Solar Included in Line 5 above (Sum L13 through L16)	\$ (13,390)	\$ 1,270	\$ (12,120)

[1] NC-1009 - Accumulated Depreciation Balances

[2] Per NC-0603, 41.68% of Solar PVDG costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[3] Per NC-0603, 3.85% of Solar Monroe costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[4] Per NC-0603, 3.71% of Solar Mocksville costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[5] Per NC-0603, 4.50% of Solar Woodleaf costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[6] Excluding the portion of net change related to Solar costs that are collected in the REPS rider.

McManeus Second Supplemental Exhibit 1

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Accumulated Deferred Income Taxes Calculation

Line No.	Item	Total Carolinas Forecasted Bonus Depreciation through 05/31/2020
1	<u>Bonus Depreciation</u>	
2	Steam plant	\$ 87,993
3	Nuclear plant	7,613
4	Hydro plant	67,740
5	Other production plant	5,562
6	Transmission plant	16,525
7	Distribution plant	19,410
8	General plant	660
9	Intangible plant	11,774
10	Total Accumulated Depreciation (Sum L2 through L9)	\$ 217,278
11		
12	Statutory tax rate	23.3503%
13		
14	<u>Accumulated deferred income taxes (resulting from additional bonus depreciation):</u>	
15	Steam plant (-L2 x L12)	\$ (20,547)
16	Nuclear plant (-L3 x L12)	(1,778)
17	Hydro plant (-L4 x L12)	(15,818)
18	Other production plant (-L5 x L12)	(1,299)
19	Transmission plant (-L6 x L12)	(3,859)
20	Distribution plant (-L7 x L12)	(4,532)
21	General plant (-L8 x L12)	(154)
22	Intangible plant (-L9 x L12)	(2,749)
23	Impact to accumulated deferred income taxes (Sum L15 through L22)	\$ (50,735)

[1] Forecasted amounts provided by Duke Energy Carolinas - Tax Department

[2] NC-0104 - 2019 Calculation of Tax Rates - Composite Tax Rate, Line 10

McManeus Second Supplemental Exhibit 1

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NC Unrecovered Net Book Value of Retired Meters

Line No.	Description	Total NC Retail
1	<u>NC Unrecovered NBV of Retired Meter Reg Asset Balance:</u>	
2	Dec 2018	\$ 66,567,437 [1]
3	Jan 2019	62,712,581 [2]
4	Feb 2019	62,712,581 [2]
5	Mar 2019	67,627,973 [2]
6	Apr 2019	67,627,973 [2]
7	May 2019	67,627,973 [2]
8	Jun 2019	102,882,945 [2]
9	Jul 2019	102,882,945 [2]
10	Aug 2019	102,882,945 [2]
11	Sep 2019	105,766,319 [2]
12	Oct 2019	105,766,319 [2]
13	Nov 2019	105,766,319 [2]
14	Dec 2019	106,742,670 [2]
15	Jan 2020	106,109,137 [2]
16	Feb 2020	106,109,137 [2]
17	Mar 2020	104,842,072 [2]
18	Apr 2020	104,842,072 [2]
19	May 2020	104,842,072 [2]
20		
21		
22		
23		
24	Actual net change through 05/31/2020 (L19 - L2)	<u>\$ 38,274,636</u>
25		
26	Statutory tax rate	23.3503% [3]
27		
28	Impact to accumulated deferred income taxes (-L24 x L26)	<u>\$ (8,937,223)</u>

[1] E-1 Item 2 - Trial Balance - Account 0182525

[2] Actual amounts provided by Duke Energy Carolinas - Asset Accounting

[3] NC-0104 - 2019 Calculation of Tax Rates - Composite Tax Rate, Line 10

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Accumulated Depreciation Annualization Adjustment

Line No.	Item	Total Carolinas	Adjustments	Total Adjusted Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Accumulated Depreciation</u>					
2	Production (Line 24)	\$ (19,262) [1]	(1) [6]	\$ (19,263)	67.4345% [7]	\$ (12,990)
3	Production Contra ADC - NC (Line 22)	395 [1]		395	100.0000%	395
4	Production Contra ADC - SC (Line 23)	(5,569) [1]		(5,569)	0.0000%	-
5	Transmission (Line 33)	(4,411) [1]		(4,411)	52.6634% [8]	(2,323)
6	Transmission Contra ADC - NC (Line 31)	(1) [1]		(1)	100.0000%	(1)
7	Transmission Contra ADC - SC (Line 32)	(7) [1]		(7)	0.0000%	-
8	NC Distribution (Line 38)	(7,842) [1]		(7,842)	99.6471% [9]	(7,815)
9	SC Distribution (Line 43)	(2,278) [1]		(2,278)	0.0000% [10]	-
10	Distribution Contra ADC - SC (Line 42)	(42) [1]		(42)	0.0000%	-
11	General (Line 61)	(7,228) [1]		(7,228)	69.0221% [11]	(4,989)
12	General Contra ADC - SC (Line 60)	(122) [1]		(122)	0.0000%	-
13	Intangible (Line 67)	- [1]		-	69.0221% [11]	-
14	Intangible Contra ADC - SC (Line 66)	- [1]		-	0.0000%	-
15	Impact to accum. deprec. (Sum L2 through L14)	\$ (46,365)	\$ (1)	\$ (46,367)		\$ (27,722)
16						
17	<u>Solar Accumulated Depreciation Included in Line 2 above:</u>					
18	Solar PVDG (Line 19)	\$ 14 [1]	(6) [2]	\$ 8		
19	Solar Monroe (Line 17)	1 [1]	(0) [3]	1		
20	Solar Mocksville (Line 16)	(10) [1]	0 [4]	(10)		
21	Solar Woodleaf (Line 18)	(90) [1]	4 [5]	(86)		
22	Total Solar Included in Line 2 above (Sum L18 through L21)	\$ (86)	\$ (1)	\$ (87)		

[1] NC-1007 - Adjustment to Accumulated Depreciation for Annualization of Depreciation Expense at May. 31, 2020

[2] Per NC-0603, 41.68% of Solar PVDG costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[3] Per NC-0603, 3.85% of Solar Monroe costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[4] Per NC-0603, 3.71% of Solar Mocksville costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[5] Per NC-0603, 4.50% of Solar Woodleaf costs are collected in the REPS rider and should be excluded for purposes of this analysis.

[6] Excluding the portion of net change related to Solar costs that are collected in the REPS rider.

[7] Allocation Factor - All Production Demand

[8] Allocation Factor - All Transmission Demand

[9] Allocation Factor - NC - Dist Plant - DEC

[10] Allocation Factor - SC - Dist Plant - DEC

[11] Allocation Factor - All - Intang and Gen Plt

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Adjustment to Accumulated Depreciation for Annualization of Depreciation Expense at May. 31, 2020

Line No.	Function	Plant in Service [7] 05/31/2020	Depr Rate [8]	Current Rates Calculated Accrual	12ME Depr Booked [9]	Difference
1	STEAM: [1]					
2	- Steam	\$ 9,030,699	3.41%	\$ 307,934	\$ 299,227	\$ 8,707
3	- Steam - Right of Way	2,004	0.00%	-	-	- [2]
4		\$ 9,032,703		\$ 307,934	\$ 299,227	\$ 8,707
5	NUCLEAR: [1]					
6	- Nuclear	\$ 8,821,892	3.39%	\$ 298,707	\$ 289,216	\$ 9,492
7	- Nuclear - Right of Way	957	1.70%	16	16	0
8		\$ 8,822,849		\$ 298,724	\$ 289,232	\$ 9,492
9	HYDRO: [1]					
10	- Hydro/Other	\$ 2,380,127	1.87%	\$ 44,476	\$ 42,246	\$ 2,230
11	- Hydro - Right of Way	23,316	0.62%	144	145	(2)
12		\$ 2,403,443		\$ 44,620	\$ 42,391	\$ 2,229
13	OTHER PRODUCTION: [1]					
14	-Other (CTs)	\$ 3,093,229	2.96%	\$ 91,574	\$ 87,652	\$ 3,922
15	-Other (CTs Land)	-	4.45%	-	-	-
16	-Other (Solar-Mocksville)	31,773	4.98%	1,583	1,573	10
17	-Other (Solar-Monroe)	116,546	5.06%	5,897	5,898	(1)
18	-Other (Solar-Woodleaf)	13,844	5.06%	701	611	90
19	-Other (Solar-Roof top)	29,046	5.42%	1,573	1,588	(14)
20	Other Production	\$ 3,284,439		\$ 101,328	\$ 97,321	\$ 4,007
21	Total Production, Including Contra ADC	\$ 23,543,434		\$ 752,606	\$ 728,171	\$ 24,435
22	Production Contra ADC - NC [6]	(118,546)		(4,028)	(3,633)	(395)
23	Production Contra ADC - SC [6]	(100,304)		(3,371)	(8,940)	5,569
24	Total Production, Excluding Contra ADC	\$ 23,762,284		\$ 760,006	\$ 740,744	\$ 19,262
25						
26	TRANSMISSION: [1]					
27	- Transmission - Right of Way	\$ 163,903	1.15%	\$ 1,885	\$ 1,882	\$ 3
28	- Transmission	4,406,025	2.05%	90,250	85,834	4,416
29	- Transmission Expansion Projects (TEP)	(11,670)	0.00%	(611)	(611)	- [3]
30	Total Transmission, Including Contra ADC	\$ 4,558,257		\$ 91,523	\$ 87,105	\$ 4,419
31	Transmission Plant Contra ADC - NC [6]	(1,028)	2.05%	(21)	(22)	1
32	Transmission Plant Contra ADC - SC [6]	(3,030)	2.05%	(62)	(69)	7
33	Total Transmission, Excluding Contra ADC	\$ 4,562,315		\$ 91,606	\$ 87,196	\$ 4,411
34						
35	DISTRIBUTION: [1]					
36	- Distribution - NC	\$ 9,809,786	2.20%	\$ 215,605	\$ 207,763	\$ 7,842
37	- Distribution - NC - Right of Way	8,620	1.37%	118	117	1
38	Subtotal Distribution NC	\$ 9,818,405		\$ 215,723	\$ 207,881	\$ 7,842
39	- Distribution Plant- SC	\$ 3,381,133	2.20%	\$ 74,312	\$ 71,993	\$ 2,320
40	- Distribution - SC - Right of Way	1,015	1.37%	14	14	(0)
41	Subtotal Distr. SC, Including Contra ADC	\$ 3,382,148		\$ 74,326	\$ 72,007	\$ 2,320
42	Distribution Plant - SC - Contra ADC [6]	(535)		(11)	(53)	42
43	Subtotal Distr. SC, Excluding Contra ADC	\$ 3,382,683		\$ 74,338	\$ 72,060	\$ 2,278
44	Total Distribution Excluding Contra	\$ 13,201,088		\$ 290,061	\$ 279,941	\$ 10,120
45						
46	GENERAL: [1]					
47	Structures/Lease Improvements	\$ 711,979	3.22%	\$ 22,926	\$ 22,289	\$ 637
48	Furniture and Equipment	65,306	6.67%	4,356	3,990	366
49	EDP Computer	133,448	12.50%	16,681	15,347	1,334
50	Vehicles	13,370	n/a	-	-	- [4]
51	Construction Equipment	16,176	n/a	-	-	- [4]
52	Stores Equipment	1,101	5.00%	55	52	3
53	Tools, Shop and Garage Equipment	111,955	5.00%	5,598	5,428	170
54	Laboratory Equipment	6,314	6.67%	421	417	4
55	Power Operated Equipment	11,692	6.54%	765	725	40
56	Communication Equipment	239,568	10.00%	23,957	19,263	4,694
57	Miscellaneous Equipment	14,626	5.00%	731	628	103
58	Land Rights	550	1.51%	8	8	0
59	Total General, Including Contra ADC	\$ 1,326,085	5.70%	\$ 75,498	\$ 68,148	\$ 7,350
60	Total General Plant Contra ADC - SC [6]	(256)		(32)	(154)	122
61	Total General, Excluding Contra ADC	\$ 1,326,341		\$ 75,530	\$ 68,302	\$ 7,228
62	Total Plant-in-Service Excluding Intangible	\$ 42,628,329		\$ 1,209,676	\$ 1,163,311	\$ 46,365
63						
64	INTANGIBLE:					
65	Intangible	\$ 1,064,479		\$ 70,159	\$ 70,159	\$ - [5]
66	Intangible Plant Contra ADC [6]	(7,748)		(350)	(350)	- [5]
67	Total Intangible Excluding Contra ADC	\$ 1,072,227		\$ 70,510	\$ 70,510	\$ -
68	Total Plant-in-Service	\$ 43,692,807		\$ 1,279,835	\$ 1,233,470	\$ 46,365
69	Contra ADC [6]	(231,447)		(7,877)	(13,222)	5,345
70	Total Plant-in-Service Excluding Contra ADC	\$ 43,924,255		\$ 1,287,712	\$ 1,246,692	\$ 41,020

[1] Total plant-in-service excludes non-depreciable assets & capitalized asset retirement costs related to FAS 143

[2] Fossil land rights are fully depreciated/amortized and no longer accrue any expense.

[3] The TEP credit is due to an impairment recorded as part of the Progress Merger

[4] Depreciation expense on vehicles and construction equipment is recorded to 803 accounts, therefore it is excluded above

[5] The per book intangible amount reflects a representative level of amortization expense on a go forward basis

[6] Forecasted Contra AFUDC balances are not available, these lines will be updated with May. 31, 2020 actuals

[8] Actual amounts provided by Asset Accounting

[8] NC-0802 - Adjustment to Annualize Depreciation Expense at Dec. 31, 2018

[9] NC-1010 - Twelve Months of Depreciation Expense as of May. 31, 2020

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Plant in Service Balances

Line No.	Description	ACTUALS [1]																			Net Change s = r - a
		Dec 2018 a	Jan 2019 b	Feb 2019 c	Mar 2019 d	Apr 2019 e	May 2019 f	Jun 2019 g	Jul 2019 h	Aug 2019 i	Sep 2019 j	Oct 2019 k	Nov 2019 l	Dec 2019 m	Jan 2020 n	Feb 2020 o	Mar 2020 p	Apr 2020 q	May 2020 r		
1	Electric Plant in Service:																				
2	Steam plant	\$ 8,325,356	\$ 8,495,769	\$ 8,517,149	\$ 8,601,753	\$ 8,610,927	\$ 8,653,152	\$ 8,665,139	\$ 8,689,379	\$ 8,739,574	\$ 8,701,124	\$ 8,701,511	\$ 8,788,280	\$ 8,863,453	\$ 8,932,856	\$ 8,940,483	\$ 8,941,579	\$ 8,944,270	\$ 8,943,676	\$ 618,319	
3	Nuclear plant	8,521,536	8,546,828	8,553,918	8,558,002	8,578,492	8,582,125	8,581,039	8,562,581	8,598,492	8,621,244	8,621,229	8,629,513	8,732,047	8,742,328	8,746,985	8,753,311	8,767,646	8,824,934	303,398	
4	Hydro plant	2,186,536	2,190,485	2,241,360	2,251,516	2,251,934	2,255,030	2,256,885	2,263,110	2,220,524	2,221,648	2,316,823	2,324,155	2,363,331	2,380,264	2,409,286	2,414,330	2,428,104	2,432,698	246,162	
5	Other production plant	3,147,776	3,148,800	3,162,993	3,186,951	3,200,136	3,208,099	3,213,079	3,212,236	3,170,058	3,213,989	3,218,038	3,217,333	3,283,781	3,270,443	3,278,941	3,291,371	3,291,437	3,293,645	145,869	
6	Transmission plant	4,052,747	4,091,515	4,102,406	4,112,967	4,159,722	4,197,558	4,218,282	4,246,809	4,278,301	4,294,118	4,310,310	4,338,732	4,467,299	4,485,117	4,510,357	4,585,766	4,575,639	4,591,106	538,358	
7	Distribution plant	12,085,804	12,146,676	12,197,465	12,251,658	12,278,048	12,383,589	12,453,193	12,524,982	12,614,325	12,680,933	12,769,061	12,848,362	12,894,673	13,001,938	13,070,872	13,140,861	13,197,115	13,258,710	1,172,906	
8	General plant	1,212,985	1,213,816	1,229,224	1,232,653	1,246,417	1,250,852	1,257,384	1,262,785	1,260,466	1,284,914	1,291,004	1,301,015	1,336,864	1,350,136	1,355,845	1,362,019	1,388,363	1,388,451	175,465	
9	Intangible plant	896,751	887,641	898,573	897,283	898,616	898,629	1,001,273	1,011,709	1,011,889	1,022,502	1,026,204	1,030,041	1,042,384	1,052,324	1,054,357	1,062,725	1,062,268	1,064,479	77,728	
10	Total Electric Plant in Service (Sum L2 through L9)	\$ 40,519,492	\$ 40,821,530	\$ 40,993,087	\$ 41,192,763	\$ 41,324,294	\$ 41,529,034	\$ 41,646,274	\$ 41,773,590	\$ 41,893,630	\$ 42,040,471	\$ 42,254,180	\$ 42,477,431	\$ 42,963,834	\$ 43,215,407	\$ 43,367,127	\$ 43,551,961	\$ 43,654,843	\$ 43,797,697	\$ 3,278,205	
11																					
12	Solar Electric Plant in Service Included in Line 5 above:																				
13	Solar PV/DG	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,179	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,306	\$ 29,046	\$ (260)	
14	Solar Monroe	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,568	116,545	116,545	116,545	116,545	116,546	\$ (22)	
15	Solar Mocksville	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	31,773	-	
16	Solar Woodleaf	13,133	12,335	12,640	12,942	13,060	13,497	13,168	13,416	13,479	13,840	13,840	13,840	13,844	13,844	13,844	13,844	13,844	13,844	711	
17	Total Solar Included in Line 5 above (Sum L13 through L16)	\$ 190,780	\$ 189,983	\$ 190,287	\$ 190,589	\$ 190,707	\$ 191,144	\$ 190,815	\$ 191,064	\$ 191,127	\$ 191,360	\$ 191,487	\$ 191,487	\$ 191,492	\$ 191,468	\$ 191,468	\$ 191,468	\$ 191,468	\$ 191,209	\$ 429	

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

[2] Forecasted amounts provided by Duke Energy Carolinas - Franchised Electric & Gas Planning and Forecasting

[3] Amounts above do not include Asset Retirement Obligation (ARO) balances

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Accumulated Depreciation Balances

Line No.	Description	ACTUALS [1]																			Net Change \$ = f - a
		Dec 2018 a	Jan 2019 b	Feb 2019 c	Mar 2019 d	Apr 2019 e	May 2019 f	Jun 2019 g	Jul 2019 h	Aug 2019 i	Sep 2019 j	Oct 2019 k	Nov 2019 l	Dec 2019 m	Jan 2020 n	Feb 2020 o	Mar 2020 p	Apr 2020 q	May 2020 r		
1	Accumulated Depreciation																				
2	Steam plant	\$ (3,268,905)	\$ (3,333,783)	\$ (3,351,261)	\$ (3,373,798)	\$ (3,391,480)	\$ (3,444,591)	\$ (3,463,776)	\$ (3,498,622)	\$ (3,530,546)	\$ (3,531,711)	\$ (3,543,584)	\$ (3,547,129)	\$ (3,556,803)	\$ (3,578,298)	\$ (3,605,168)	\$ (3,629,459)	\$ (3,654,631)	\$ (3,677,108)	\$ (408,202)	
3	Nuclear plant	(3,484,063)	(3,510,118)	(3,533,609)	(3,553,320)	(3,574,744)	(3,594,649)	(3,613,234)	(3,621,297)	(3,646,275)	(3,675,816)	(3,688,950)	(3,708,754)	(3,697,719)	(3,720,340)	(3,743,822)	(3,767,033)	(3,776,025)	(3,771,431)	(287,369)	
4	Hydro plant	(978,577)	(985,781)	(975,847)	(983,262)	(986,115)	(986,575)	(989,743)	(992,088)	(974,875)	(976,127)	(974,237)	(978,955)	(968,992)	(970,429)	(964,557)	(967,964)	(977,428)	(977,113)	1,464	
5	Other production plant	(872,945)	(880,581)	(901,809)	(957,636)	(934,105)	(942,844)	(952,395)	(959,074)	(956,105)	(970,350)	(977,736)	(1,008,222)	(980,631)	(975,312)	(990,689)	(1,007,218)	(1,012,607)	(1,019,140)	(146,194)	
6	Transmission plant	(1,385,391)	(1,389,345)	(1,389,173)	(1,383,280)	(1,385,713)	(1,389,269)	(1,390,833)	(1,395,859)	(1,399,349)	(1,400,948)	(1,409,179)	(1,412,377)	(1,412,856)	(1,415,221)	(1,421,208)	(1,427,355)	(1,432,969)	(1,428,456)	(43,067)	
7	Distribution plant	(4,816,028)	(4,811,514)	(4,817,712)	(4,834,287)	(4,803,188)	(4,816,192)	(4,861,484)	(4,868,967)	(4,877,327)	(4,896,046)	(4,912,860)	(4,924,270)	(4,877,987)	(4,891,035)	(4,939,138)	(4,953,691)	(4,954,779)	(4,973,344)	(157,316)	
8	General plant	(414,681)	(418,639)	(421,695)	(425,217)	(425,986)	(430,400)	(435,656)	(439,993)	(431,968)	(436,124)	(439,649)	(456,642)	(442,408)	(447,005)	(451,690)	(456,930)	(460,759)	(459,321)	(44,639)	
9	Intangible plant	(609,897)	(615,621)	(621,340)	(626,914)	(632,540)	(638,301)	(643,849)	(649,558)	(654,744)	(660,458)	(666,317)	(658,209)	(676,597)	(682,541)	(688,609)	(694,974)	(700,961)	(706,737)	(96,840)	
10	Total Accumulated Depreciation (Sum L2 through L9)	\$ (15,830,457)	\$ (15,944,384)	\$ (16,012,447)	\$ (16,137,714)	\$ (16,133,871)	\$ (16,242,821)	\$ (16,350,769)	\$ (16,425,458)	\$ (16,470,189)	\$ (16,547,580)	\$ (16,612,512)	\$ (16,694,529)	\$ (16,613,993)	\$ (16,680,161)	\$ (16,804,861)	\$ (16,905,224)	\$ (16,970,159)	\$ (17,012,651)	\$ (1,182,164)	
11																					
12	Solar Accumulated Depreciation Included in Line 5 above:																				
13	Solar PV/DG	\$ (9,397)	\$ (9,529)	\$ (9,662)	\$ (9,794)	\$ (9,926)	\$ (10,058)	\$ (10,191)	\$ (10,323)	\$ (10,455)	\$ (10,460)	\$ (10,720)	\$ (10,852)	\$ (10,984)	\$ (11,117)	\$ (11,249)	\$ (11,381)	\$ (11,514)	\$ (11,386)	\$ (1,989)	
14	Solar Monroe	(6,589)	(7,079)	(7,570)	(8,061)	(8,550)	(9,039)	(9,530)	(10,020)	(10,509)	(11,000)	(11,490)	(11,980)	(12,468)	(12,956)	(13,450)	(13,942)	(14,433)	(14,922)	(8,333)	
15	Solar Mocksville	(3,099)	(3,230)	(3,361)	(3,492)	(3,622)	(3,752)	(3,883)	(4,014)	(4,144)	(4,275)	(4,406)	(4,537)	(4,667)	(4,797)	(4,929)	(5,060)	(5,191)	(5,322)	(2,223)	
16	Solar Woodleaf	-	(48)	(94)	(141)	(189)	(237)	(287)	(336)	(386)	(436)	(487)	(538)	(589)	(641)	(692)	(743)	(795)	(846)	(846)	
17	Total Solar Included in Line 5 above (Sum L13 through L16)	\$ (19,085)	\$ (19,886)	\$ (20,686)	\$ (21,487)	\$ (22,286)	\$ (23,086)	\$ (23,891)	\$ (24,693)	\$ (25,495)	\$ (26,171)	\$ (27,103)	\$ (27,907)	\$ (28,708)	\$ (29,513)	\$ (30,319)	\$ (31,126)	\$ (31,932)	\$ (32,475)	\$ (13,390)	

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

[2] Forecasted amounts provided by Duke Energy Carolinas - Franchised Electric & Gas Planning and Forecasting

[2] Amounts above do not include Asset Retirement Obligation (ARO) balances

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Adjust for post test year additions to plant in service
For the test period ended December 31, 2018
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Twelve Months of Depreciation Expense as of May 31, 2020

Line No.	Description	ACTUALS [1]																		12 MONTHS m = sum(a..l)
		Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019 a	Jul 2019 b	Aug 2019 c	Sep 2019 d	Oct 2019 e	Nov 2019 f	Dec 2019 g	Jan 2020 h	Feb 2020 i	Mar 2020 j	Apr 2020 k	May 2020 l		
1	Function																			
2	Steam plant	\$ 23,648	\$ 24,018	\$ 24,083	\$ 24,300	\$ 24,999	\$ 24,567	\$ 24,429	\$ 24,776	\$ 24,629	\$ 24,645	\$ 25,592	\$ 24,653	\$ 25,302	\$ 25,472	\$ 24,830	\$ 25,161	\$ 25,169	\$ 299,227	
3	Steam plant - Right of Way																			
4	Nuclear plant	23,651	23,830	23,859	23,875	23,916	23,927	23,906	23,853	23,984	24,038	24,030	23,465	24,356	24,390	24,419	24,408	24,439	289,216	
5	Nuclear plant - Right of Way	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	
6	Hydro plant	3,317	3,322	3,447	3,459	3,461	3,461	3,463	3,474	3,507	3,508	3,646	2,997	3,568	3,592	3,661	3,671	3,698	42,246	
7	Hydro plant - Right of Way	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	145	
8	Other production plant	7,165	7,312	7,341	7,403	6,761	7,323	7,330	4,970	5,465	7,370	7,360	7,259	7,587	7,604	9,306	7,686	8,392	87,652	
9	Other production plant - Land Rights																			
10	Other production plant - Mocksville	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131	131	1,573	
11	Other production plant - Monroe	492	492	492	492	492	492	492	492	492	492	492	491	491	491	491	491	491	5,898	
12	Other production plant - Woodleaf	49	46	47	48	49	50	49	50	51	51	51	51	52	51	51	51	51	611	
13	Other production plant - Roof top	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	1,588	
14	Transmission plant - Right of Way	156	156	156	156	156	156	156	156	156	156	157	157	157	157	157	157	157	1,882	
15	Transmission plant	6,640	6,709	6,734	6,748	6,833	6,900	6,938	6,989	7,049	7,071	7,057	6,899	7,323	7,376	7,398	7,524	7,510	85,334	
16	Transmission Expansion Projects (TEP)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(611)	
17	Distribution plant - NC	16,523	16,717	16,660	16,769	16,673	16,830	16,940	17,042	17,155	17,184	17,308	16,931	17,449	17,592	17,692	17,784	17,856	207,763	
18	Distribution plant - NC - Right of Way	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	117	
19	Distribution plant - SC	5,691	5,720	5,762	5,776	5,808	5,845	5,871	5,898	5,949	5,966	5,994	5,886	6,070	6,084	6,121	6,145	6,165	71,993	
20	Distribution plant - SC - Right of Way	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	14	
21	General Plant - Structures/Lease Improvements	1,816	1,812	1,840	1,843	1,848	1,849	1,851	1,848	1,847	1,884	1,867	1,508	1,902	1,896	2,019	1,908	1,910	22,289	
22	General Plant - Furniture and Equipment	274	275	281	283	283	283	285	287	286	359	362	267	370	372	372	372	372	3,990	
23	General Plant - EDP Computer	1,185	1,181	1,225	1,232	1,241	1,267	1,265	1,278	1,197	1,278	1,120	1,186	1,264	1,275	1,546	1,332	1,338	15,347	
24	General Plant - Vehicles [4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
25	General Plant - Construction Equipment [4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
26	General Plant - Stores Equipment	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	52	
27	General Plant - Tools, Shop and Garage Equipment	437	437	438	439	441	444	445	446	444	445	455	456	457	458	458	458	463	5,428	
28	General Plant - Laboratory Equipment	29	29	29	30	30	30	30	36	36	36	36	36	36	36	36	36	35	417	
29	General Plant - Power Operated Equipment	53	54	54	54	54	55	55	60	61	61	61	61	61	64	64	64	64	725	
30	General Plant - Communication Equipment	1,296	1,304	1,305	1,316	1,428	1,435	1,445	1,453	1,443	1,450	1,460	1,432	1,678	1,745	1,951	1,785	1,987	19,263	
31	General Plant - Miscellaneous Equipment	45	45	45	45	45	46	46	47	47	48	48	50	52	61	61	61	61	628	
32	General Plant - Land Rights	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	8	
33	Intangible plant	5,724	5,719	5,573	5,626	5,762	5,547	5,710	5,185	5,714	5,859	5,614	6,265	5,944	6,068	6,366	6,111	5,776	70,159	
34	Total Depreciation (Sum L2 through L33)	\$ 98,434	\$ 99,421	\$ 99,614	\$ 100,135	\$ 100,520	\$ 100,748	\$ 100,949	\$ 98,576	\$ 99,752	\$ 102,141	\$ 102,953	\$ 100,093	\$ 104,362	\$ 105,028	\$ 107,242	\$ 105,449	\$ 106,177	\$ 1,233,470	

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

[2] Forecasted amounts provided by Duke Energy Carolinas - Franchised Electric & Gas Planning and Forecasting

[3] Amounts above do not include Asset Retirement Obligation (ARO) balances

[4] Depreciation expense on vehicles and construction equipment is recorded to 803 accounts, therefore it is excluded above.

McManeus Second Supplemental Exhibit 1

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NC-1200
Narrative
May - Second Supplemental

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

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

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

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

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

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

September Update

Updated NC-1203, NC-1204 and NC-1205 for index values through September 2019.

October Update

Updated NC-1203, NC-1204 and NC-1205 for index values through October 2019.

November Update

Updated NC-1203, NC-1204 and NC-1205 for index values through November 2019.

Updated NC-1201 for revised atypical severance costs in 2018 per NC2000(C).

December Update

Updated NC-1203, NC-1204 and NC-1205 for index values through December 2019.

Updated NC-1201 to remove CPRE related O&M in 2018 per NC0600(D).

January

Index values through January 2020 for NC-1203, NC-1204 and NC-1205 are currently not available.

January Rebuttal

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

Added adjustments for changes in other proformas that impact test year O&M.

Supplemental Rebuttal

Updated NC-1201 for settlement items removed per NC3600(G) and updated adjustments to align with the settlement.

May Second Supplemental

Updated NC-1202, NC-1203, NC-1204 and NC-1205 for index values through May 2020.

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May - Second Supplemental

Line No.	Description	Source	Total NC Retail May - Second Supplemental	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-1201	4,572	7,780	2,631	1,941
11	Depreciation and amortization		-	-	-	-
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-1201	(1,067)	(1,817)	(614)	(453)
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	3,504	5,964	2,017	1,488
18						
19	Operating income	L4 - L17	<u>\$ (3,504)</u>	<u>\$ (5,964)</u>	<u>\$ (2,017)</u>	<u>\$ (1,488)</u>
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization					
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	-	-	-
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes		-	-	-	-
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

McManeus Second Supplemental Exhibit 1

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Line No.	Description	Total Carolinas (a)	NC Retail Allocation (b)	Total NC Retail (c)
1				
2				
3	O&M (excluding fuel and purchased power)	\$ 2,029,601 [1]		\$ 1,375,939 [1]
4				
5	Less: reagents expense and proceeds from sale of by-products	(33,229) [2]		(21,892) [2]
6	Less: energy efficiency, demand side program & other solar costs	(160,264) [3]		(117,372) [3]
7	Less: nuclear refueling outage costs	(54,681) [4]	100.0000% [4]	(54,681) [4]
8	Less: aviation expenses	(3,402) [5]		(2,304) [5]
9	Less: severance and retention costs	(102,108) [6]		(69,147) [6]
10	Less: vegetation management expenses - distribution	(56,457) [7]	73.6369% [8]	(41,573) [8]
11	Less: vegetation management expenses - transmission	(11,379) [7]	52.6634% [9]	(5,992) [9]
12	Less: NCUC regulatory fee	(6,452) [10]		(6,452) [10]
13	Less: rate case amortizations	(676) [10]		(676) [10]
14	Less: outside tax services contract	(897) [15]	67.7195% [12]	(607) [12]
15	Less: expiring amortizations	(16) [16]		(11) [16]
16	Less: merger related costs	(8,094) [17]		(5,530) [17]
17	Less: hydro station transfer costs and direct O&M	(2,317) [18]		(1,560) [18]
18	Less: retired hydro plants O&M	(150) [19]		(101) [19]
19	Less: advertising expense agreed to remove	(230) [19]		(175) [19]
20	Less: uncollectibles adjusted elsewhere	(16,638) [20]		(12,692) [20]
21	Add: adjustment to variable O&M expense changes in customer growth	(856) [21]		(856) [21]
22	Less: certain sponsorships removed in settlement	(136) [23]		(92) [23]
23	Less: amounts defined by PS as lobbying removed in settlement	(3,352) [23]		(2,270) [23]
24	Less: certain board of director expenses removed in settlement	(2,832) [23]		(1,910) [23]
25	Total O&M to be adjusted including labor (Sum L3 through L24)	\$ 1,565,434		\$ 1,030,045
26				
27	Net electric O&M salaries and wages	\$ 843,249 [11]		
28	Fringe benefits contribution rate	10.46% [11]		
29	Fringe benefits (L27 x L28)	\$ 88,204		
30				
31	Less: net electric O&M salaries & wages and fringe benefits (L27 + L29)	\$ 931,453	67.7195% [12]	\$ 630,775
32				
33	Total non-labor O&M to be adjusted (L25 - L31)	\$ 633,981		\$ 399,269
34	Average inflation rate	1.15% [13]		1.15% [13]
35	Impact to O&M (L33 x L34)	\$ 7,259		\$ 4,572
36				
37	Statutory tax rate	23.3503% [14]		23.3503% [14]
38	Impact to income taxes (-L35 x L37)	\$ (1,695)		\$ (1,067)
39	Impact to operating income (-L35 - L38)	\$ (5,564)		\$ (3,504)

[1] McManeus Exhibit 1, Other O&M, Page 1, Line 4, Columns 1 and 2

[2] NC-0201 - Update fuel costs to approved rate

[3] NC-0601 - Adjust for costs recovered through non-fuel riders

[4] NC-1501 - Levelize nuclear refueling outage costs

[5] NC-1701 - Adjust aviation expenses

[6] NC-2001 - Amortize severance costs - Actuals

[7] NC-2702 - Vegetation management adjustment - distribution and transmission

[8] Allocation Factor - All - Dist Plt OH - DEC

[9] Allocation Factor - All Transmission Demand

[10] E-1 Item 45A, Cost of Service, Summer CP, Included in '920-935 A&G EXP-928 REG FEE-NCUC' and '920-935 A&G EXP-928

RATE CASE AMORT-NCUC'

[11] NC-1301, Normalize O&M labor expenses, Line 16 and Line 37

[12] Allocation Factor - All - Labor

[13] NC-1202 - Average of Consumer Price Index and Producer Price Index, Line 19

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

[15] NC-1311 - Adjustment to Annualize Ernst & Young outside tax services contract, Line 2

[16] NC-1801 - Adjust for approved regulatory assets and liabilities, Line 3

[17] NC-1901 - Adjust for Merger Related Costs, Line 4

[18] NC-3201 - Adjust for Hydro Stations Sale

[19] NC-3401 - Remove certain test year expenses

[20] E-1 Item 45A, Cost of Service, Summer CP, 904 CUST ACCTS EXP-UNCOLLECT. ACCTS

[21] Boswell Supplemental and Stipulation Exhibit 1, Schedule 3-1 (v), Line 3

[22] NC-2501 - Adjust for credit card fees

[23] NC-3601 - Remove certain settlement items

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Average of Consumer Price Index and Producer Price Index

Line No.	Period	CPI [1] (a)	PPI [2] Finished goods less food & energy (b)	PPI [3] Processed materials less food & energy (c)	PPI Average (d)= Average of (b) and (c)
1	December 2017	246.524	200.6	196.3	
2	January 2018	247.867	200.9	197.2	
3	February 2018	248.991	201.3	198.3	
4	March 2018	249.554	201.8	199.3	
5	April 2018	250.546	202.3	199.8	
6	May 2018	251.588	202.7	201.3	
7	June 2018	251.989	203.1	202.3	
8	July 2018	252.006	203.7	203.0	
9	August 2018	252.146	204.2	203.7	
10	September 2018	252.439	204.6	204.5	
11	October 2018	252.885	205.1	204.8	
12	November 2018	252.038	205.6	204.2	
13	December 2018	251.233	205.8	203.1	
14					
15	May 2020	256.394	209.8	195.0	
16					
17	13 month average	250.8	203.2	201.4	
18					
19	Increase from average to year end (L13 - L17)	5.6	6.6	(6.4)	
20	% increase from average to year end (L19 / L17)	2.25%	3.24%	-3.16%	0.04%
21	Average inflation rate (Average, Line 18, Col. (a) and Col. (d))	1.15%			

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

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

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

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Consumer Price Index - All Urban Consumers
Original Data Value

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.736
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	240.007
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	251.107
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	255.657
2020	257.971	258.678	258.115	256.389	256.394								

Source: Bureau of Labor Statistics

McManeus Second Supplemental Exhibit 1

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Producer Price Index-Commodities
Original Data Value

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	170.8	170.9	171.2	171.3	171.2	171.8	171.4	171.8	171.6	171.5	172.1	172.1	171.5
2010	172.5	172.6	172.9	172.9	173.4	173.6	173.7	173.9	174.3	174.3	174.3	174.6	173.6
2011	175.3	175.7	176.2	176.8	177.0	177.6	178.2	178.5	179.0	179.4	179.6	180.0	177.8
2012	180.7	181.0	181.3	181.6	181.8	182.1	182.9	183.2	183.2	183.3	183.7	183.7	182.4
2013	183.9	184.2	184.4	184.6	184.8	185.0	185.2	185.3	185.4	185.6	185.9	186.7	185.1
2014	187.5	187.7	187.7	187.9	188.2	188.5	188.7	189.0	189.2	189.7	189.7	189.8	188.6
2015	190.7	191.3	191.5	191.6	191.8	192.7	193.0	193.0	193.2	193.0	193.1	193.4	192.4
2016	193.9	194.2	194.3	194.6	194.9	195.4	195.4	195.7	195.8	196.1	196.3	196.7	195.3
2017	197.1	197.4	197.8	198.5	198.6	198.8	198.9	199.2	199.2	200.0	200.5	200.6	198.9
2018	200.9	201.3	201.8	202.3	202.7	203.1	203.7	204.2	204.6	205.1	205.6	205.8	203.4
2019	206.6	206.8	207.2	207.4	207.7	207.8	208.1	208.2	208.4	208.4	208.8	208.7	207.8
2020	208.7	209.1	209.7	209.6	209.8								

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

Source: Bureau of Labor Statistics

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Producer Price Index-Commodities
Original Data Value

Series Id: WPSID69115

Seasonally Adjusted

Group: Intermediate demand by commodity type

Item: Processed materials less foods and energy

Base 198200

Date:

Years: 2009 to 2019

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

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

Source: Bureau of Labor Statistics

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 Narrative
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E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

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

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

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

September Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended September 2019
 NC 1310 - applies the updated Catawba percentage on 2019 figures.

October Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended October 2019
 NC 1310 - applies the updated Catawba percentage on 2019 figures.

November Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended November 2019
 NC 1310 - applies the updated Catawba percentage on 2019 figures.

December Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended December 2019
 NC 1310 - applies the updated Catawba percentage on 2019 figures.
 NC 1311 - Updated with actual 2019 E&Y Expenses

January Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended January 2020
 NC 1310 - applies the updated Catawba percentage on 2019 figures.

Supplemental Rebuttal

Added tab NC-1312 and adjusted NC 1310 to reflected the adjustment to STIP and LTIP as agreed to in the Settlement agreement.

May Second Supplemental

NC-1304, NC1305 have been updated for 12 months ended May 2020.

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Line No.	Description	Source	Total NC Retail May - Second Supplemental	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-1301	(28,128)	(36,052)	(23,765)	(4,363)
11	Depreciation and amortization		-	-	-	-
12	General taxes	NC-1301	(1,023)	(1,507)	(1,162)	138
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-1301	6,807	8,770	5,820	987
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(22,344)	(28,789)	(19,106)	(3,238)
18						
19	Operating income	L4 - L17	\$ 22,344	\$ 28,789	\$ 19,106	\$ 3,238
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization					
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	-	-	-
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes		-	-	-	-
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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Line No.	Description	Labor Per Books	As of 5/31/2020 HR Salaries	Pro Forma HR salaries
1				
2	<u>Salaries and Wages by Payroll Company</u>			
3	Duke Energy Carolinas - salaries and wages - charged to Duke Energy Carolinas	\$ 697,465 [1]	\$ 671,957 [2]	\$ (25,507)
4	Service Company (DEBS) - salaries and wages - charged to Duke Energy Carolinas	200,403 [1]	191,080 [2]	(9,322)
5	Duke Energy Progress - salaries and wages - charged to Duke Energy Carolinas	29,217 [1]	30,526 [2]	1,309
6	Total salaries and wages (Sum L3 through L5)	\$ 927,084	\$ 893,564	\$ (33,520)
7				
8	<u>Calculation of Electric O&M % to Apply to Salaries & Wages Adjustment</u>			
9	Total salaries and wages (Form 1, Page 355, Line 96, Col (d))	\$ 1,295,173 [4]		
10	Less: other work in progress (Form 1, Page 355, Line 79, Col (b))	7,156 [4]		
11	Less: allocation of payroll charged for clearing accounts (Form 1, Page 355, Line 96, Col (c))	26,285 [4]		
12	Total salaries and wages - excl. other WIP & allocation of clearing accounts (L9 - L10 - L11)	\$ 1,261,732		
13				
14	Total operating and maintenance (Form 1, Page 354, Line 28, Col (b))	\$ 977,425 [4]		
15	Less: reimbursement of electric O&M by Catawba Joint Owners	134,176 [3]		
16	Net electric O&M salaries and wages (L14 - L15)	\$ 843,249		
17				
18	Percent of incurred costs charged to electric expense (L16 / L12)	66.83%		66.83%
19	Net electric O&M salaries and wages to adjust (L6 x L18)			\$ (22,402)
20				
21	<u>Adjustment to General Taxes - FICA</u>			
22	Net electric O&M salaries and wages to adjust (L19)			\$ (22,402)
23	Percentage of wages subject to OASDI			85.42% [5]
24	Electric wage adjustment subject to OASDI tax (L22 x L23)			\$ (19,136)
25	OASDI tax rate (employers)			6.20% [6]
26	Adjustment due to wage adjustment (before Medicare rate) (L24 x L25)			\$ (1,186)
27				
28	Net electric O&M salaries and wages to adjust (L19)			\$ (22,402)
29	Medicare tax rate			1.45% [6]
30	Adjustment due to Medicare tax (L28 x L29)			\$ (325)
31				
32	Impact to general taxes (L26 + L30)			\$ (1,511)
33				
34	<u>Calculation of Fringe Benefits Contribution Rate</u>			
35	Account 926 - employee pensions and benefits - 12 Months Ended December 31, 2018	\$ 102,240 [7]		
36	Total operating and maintenance (Form 1, Page 354, Line 28, Col (b)) (L14)	977,425		
37	Fringe benefits contribution rate (L35 / L36)	10.46%		

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Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
38				
39	<u>Calculation of O&M (Including Fringe Benefits & Variable Pay) and Income Tax</u>			
40	Net electric O&M salaries and wages to adjust (L19)	\$ (22,402)		
41	Fringe benefits contribution rate (L37)	10.4600%		
42	Fringe benefits adjustment (L40 x L41)	\$ (2,343)		
43				
44	Adjustment to restate variable short and long term pay at target NC-1310	\$ (18,537) [8]		
45	Adjustment to Annualize E&Y Tax Service Contract NC-1311	1,746 [9]		
46				
47	Impact to O&M (L40 + L42 + L44 + L45)	<u>\$ (41,536)</u>	67.7195% [10]	<u>\$ (28,128)</u>
48				
49	Impact to general taxes (L32)	<u>\$ (1,511)</u>	67.7195% [10]	<u>\$ (1,023)</u>
50				
51	Taxable income (-L47 - L49)	\$ 43,047		\$ 29,151
52	Statutory tax rate	23.3503% [11]		23.3503% [11]
53	Impact to income taxes (L51 x L52)	<u>\$ 10,052</u>		<u>\$ 6,807</u>
54				
55	Impact to operating income (L51 - L53)	<u><u>\$ 32,995</u></u>		<u><u>\$ 22,344</u></u>

- [1] NC-1302 - Salaries and Wages by Payroll Company for Duke Energy Carolinas - 12 Months Ended Dec. 31, 2018
[2] NC-1304 - Annual Salary Information by Payroll Company for Duke Energy Carolinas at May 31, 2020
[3] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended Dec 31, 2018, Line 10
[4] NC-1306 - Distribution of Salaries and Wages, 12 Months Ended December 31, 2018 (Form 1, Page 354-355)
[5] NC-1307 - Quarterly Federal Tax Summary Report (Report ID: TAX010FD), Line 22
[6] NC-1308 - OASDI and SSI Program Rates & Limits - 2019
[7] NC-1309 - Duke Energy Carolinas - (926) Employee Pensions and Benefits - 12 Months Ended December 31, 2018
[8] NC-1310 - Variable Short and Long Term Pay for Duke Energy Carolinas - 12 Months Ended December 31, 2018
[9] NC-1311 - Adjustment to Annualize Ernst & Young outside tax services contract, Line 3
[10] Allocation Factor - Labor [Wage and Salary Related Items] (Factor 59)
[11] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

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

Line No.	Payroll Company	Resource Category	Capital	O&M	Total	Percentage
1						
2	Duke Energy Carolinas (Payroll Company 100)	Direct Labor	\$ 159,969,598	\$ 420,023,573	\$ 579,993,171	83.1573%
3	Duke Energy Carolinas (Payroll Company 100)	Allocated Labor	33,242,789	84,228,819	117,471,608	16.8427%
4	Subtotal		\$ 193,212,387	\$ 504,252,393	\$ 697,464,780	100.0000%
5						
6	Service Company (Payroll Co. 110) - charged to DE Carolinas	Direct Labor	\$ 50,335,064	\$ 120,795,354	\$ 171,130,418	85.3933%
7	Service Company (Payroll Co. 110) - charged to DE Carolinas	Allocated Labor	9,582,370	19,689,741	29,272,111	14.6067%
8	Subtotal		\$ 59,917,434	\$ 140,485,095	\$ 200,402,529	100.0000%
9						
10	Duke Energy Progress (Payroll Co. 801) - charged to DE Carolinas	Direct Labor	\$ 5,713,158	\$ 17,540,585	\$ 23,253,744	79.5901%
11	Duke Energy Progress (Payroll Co. 801) - charged to DE Carolinas	Allocated Labor	1,066,658	4,896,468	5,963,126	20.4099%
12	Subtotal		\$ 6,779,816	\$ 22,437,054	\$ 29,216,870	100.0000%
13						
14	Total		<u>\$ 259,909,637</u>	<u>\$ 667,174,542</u>	<u>\$ 927,084,179</u>	

Source: Duke Energy Carolinas General Accounting and Reporting

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Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended December 31, 2018

Line No.	Description	Gross YTD Total	Catawba Reimbursement
1	O&M	\$ 145,563,811	\$ 117,548,600
2	A&G allocation	20,027,593	16,173,082
3	Capital retirements	642,980	519,232
4	Capital additions	16,116,215	13,014,488
5	Accounting & billing, operating	416,108	346,757
6	Accounting & billing, interconnect	258,270	107,612
7	Total (Sum L1 through L6)	<u>\$ 183,024,977</u>	<u>\$ 147,709,772</u>
8			
9		Less: capital retirements and additions (L3 + L4)	<u>\$ 13,533,720</u>
10		Total (excluding capital retirements and additions) (L7 - L9)	<u>\$ 134,176,051</u>
11			
12	<u>Calculation of Catawba Allocation Rate</u>		
13			
14	Total Catawba O&M labor expense (L1)	\$ 145,563,811	
15			
16	Duke Energy Carolinas total salaries & wages	\$ 1,295,172,502 [1]	
17	Less: A&G salaries and wages	<u>254,542,871 [2]</u>	
18	Total salaries and wages excluding A&G (L16 - L17)	<u>\$ 1,040,629,631</u>	
19			
20	Catawba reimbursement allocation rate (L14 / L18)	<u>13.988%</u>	
21			
22	NOTES:		
23	(a) Includes manual journals		
24	(b) Labor is reimbursed at 80.754% with these exceptions:		
25	- accounting & billing, operating \$ are reimbursed at 83.3333% and interconnect \$ are reimbursed at 50% of the 83.3333%		

[1] NC-1306 - Distr. of Salaries and Wages, 12 Months Ended Dec 31, 2018 (Form 1, Page 354-355), Page 2, Line 96, Col (d)

[2] NC-1306 - Distr. of Salaries and Wages, 12 Months Ended Dec 31, 2018 (Form 1, Page 354-355), Page 1, Line 27, Col (b)

Source: Duke Energy Catawba Joint Owner Accounting

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Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended January 31, 2020

Line No.	Description	Gross 12 Month End	[1]	Catawba Reimbursement
1	O&M	\$ 120,335,100		\$ 97,191,557
2	A&G allocation	19,838,782		16,020,610
3	Capital retirements	1,443,127		1,165,383
4	Capital additions	9,062,351		7,318,211
5	Accounting & billing, operating	423,990		353,325
6	Accounting & billing, interconnect	257,274		107,197
7	Total (Sum L1 through L6)	<u>\$ 151,360,624</u>		<u>\$ 122,156,283</u>
8				
9		Less: capital retirements and additions (L3 + L4)		<u>\$ 8,483,594</u>
10		Total (excluding capital retirements and additions) (L7 - L9)		<u>\$ 113,672,689</u>
11				
12	<u>Calculation of Catawba Allocation Rate</u>			
13				
14	Total Catawba O&M labor expense (L1)	\$ 120,335,100		
15				
16	Duke Energy Carolinas total salaries & wages	\$ 1,173,075,377	[2]	
17	Less: A&G salaries and wages	<u>176,951,688</u>	[2]	
18	Total salaries and wages excluding A&G (L16 - L17)	<u>\$ 996,123,690</u>		
19				
20	Catawba reimbursement allocation rate (L14 / L18)	<u>12.080%</u>		
21				
22	NOTES:			
23	(a) Includes manual journals			
24	(b) Labor is reimbursed at 80.754% with these exceptions:			
25	- accounting & billing, operating \$ are reimbursed at 83.3333% and interconnect \$ are reimbursed at 50% of the 83.3333%			

[1] PS DR 33.5e Catawba Support Dec 2019

[2] FERC Form 1 by Line December, 2019.

Source: Duke Energy Catawba Joint Owner Accounting

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Annual Salary Information by Payroll Company for Duke Energy Carolinas at May 31, 2020

Line No.	Payroll Company	Grand Total
1		
2	Duke Energy Carolinas (Payroll Company 100)	\$ 811,096,8
3	Duke Energy Carolinas % of labor charged to Duke Energy Carolinas	82.845
4	Duke Energy Carolinas labor charged to Duke Energy Carolinas (L2 x L3)	\$ 671,957,4
5		
6	Service Company (Payroll Company 110)	\$ 763,520,4
7	Service Company % of labor charged to Duke Energy Carolinas	25.026
8	Service Company labor charged to Duke Energy Carolinas (L6 x L7)	\$ 191,080,4
9		
10	Duke Energy Progress (Payroll Company 801)	\$ 440,885,6
11	Duke Energy Progress % of labor charged to Duke Energy Carolinas	6.923
12	Duke Energy Progress labor charged to Duke Energy Carolinas (L10 x L11)	\$ 30,525,8
13		
14	Total - sum of annual salaries (L4 + L8 + L12)	\$ 893,563,8

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

[2] Information provided by Duke Energy Human Resources Operations

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

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

Line				
No.	<u>Resp Center Level 2 Node Name LVL</u>	<u>BU Group</u>	<u>Monetary Amount JD</u>	<u>Percentage</u>
1				
2	100_DUKE_POWER_CONSO	1. DE Carolinas	\$ 662,294,442	82.8455%
3	100_DUKE_POWER_CONSO	2. DE Progress	82,428,043	10.3108%
4	100_DUKE_POWER_CONSO	3. DEBS	823,576	0.1030%
5	100_DUKE_POWER_CONSO	4. Other	53,886,837	6.7406%
6	100_DUKE_POWER_CONSO		<u>\$ 799,432,898</u>	<u>100.0000%</u>
7				
8	110_SERVICE_COMPANY	1. DE Carolinas	\$ 189,697,243	25.0262%
9	110_SERVICE_COMPANY	2. DE Progress	131,000,769	17.2826%
10	110_SERVICE_COMPANY	3. DEBS	49,016,522	6.4666%
11	110_SERVICE_COMPANY	4. Other	388,279,006	51.2246%
12	110_SERVICE_COMPANY		<u>\$ 757,993,540</u>	<u>100.0000%</u>
13				
14	801_DE_PROGRESS	1. DE Carolinas	\$ 30,593,108	6.9238%
15	801_DE_PROGRESS	2. DE Progress	403,178,791	91.2466%
16	801_DE_PROGRESS	3. DEBS	160,173	0.0363%
17	801_DE_PROGRESS	4. Other	7,924,331	1.7934%
18	801_DE_PROGRESS		<u>\$ 441,856,403</u>	<u>100.0000%</u>
19				
20	Total		<u>\$ 1,999,282,841</u>	

Source: Duke Energy Corporate Accounting

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Name of Respondent Duke Energy Carolinas, LLC		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report End of 2018/Q4
DISTRIBUTION OF SALARIES AND WAGES				
Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.				
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	328,525,876		
4	Transmission	13,879,004		
5	Regional Market			
6	Distribution	33,336,404		
7	Customer Accounts	31,371,061		
8	Customer Service and Informational	8,491,989		
9	Sales	8,976,919		
10	Administrative and General	254,085,298		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	678,666,551		
12	Maintenance			
13	Production	237,203,540		
14	Transmission	11,667,468		
15	Regional Market			
16	Distribution	49,429,661		
17	Administrative and General	457,573		
18	TOTAL Maintenance (Total of lines 13 thru 17)	298,758,242		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	565,729,416		
21	Transmission (Enter Total of lines 4 and 14)	25,546,472		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	82,766,065		
24	Customer Accounts (Transcribe from line 7)	31,371,061		
25	Customer Service and Informational (Transcribe from line 8)	8,491,989		
26	Sales (Transcribe from line 9)	8,976,919		
27	Administrative and General (Enter Total of lines 10 and 17)	254,542,871		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	977,424,793	5,141,951	982,566,744
29	Gas			
30	Operation			
31	Production-Manufactured Gas			
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply			
34	Storage, LNG Terminating and Processing			
35	Transmission			
36	Distribution			
37	Customer Accounts			
38	Customer Service and Informational			
39	Sales			
40	Administrative and General			
41	TOTAL Operation (Enter Total of lines 31 thru 40)			
42	Maintenance			
43	Production-Manufactured Gas			
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminating and Processing			
47	Transmission			

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DUKE ENERGY CAROLINAS					December 31, 2018
DISTRIBUTION OF SALARIES AND WAGES					
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)	
48	Distribution				
49	Administrative and General				
50	TOTAL Maintenance (Enter Total of lines 43 thru 49)	None			
51	Total Operation and Maintenance				
52	Production - Manufactured Gas (Enter Total of lines 31 and 43)				
53	Production - Natural Gas (Including Expl. and Dev.)				
54	Other Gas Supply (Enter Total of lines 33 and 45)				
55	Storage, LNG Terminaling and Processing (Enter Total of lines 31 thru 47)				
56	Transmission (Enter Total of lines 35 and 47)				
57	Distribution (Enter Total of lines 36 and 48)				
58	Customer Accounts (Transcribe from line 37)				
59	Customer Service and Informational (Line 38)				
60	Sales (Line 39)				
61	Administrative and General (Lines 40 and 49)				
62	TOTAL Operation and Maintenance (Total of lines 52 thru 61)	None			
63	Other Utility Departments				
64	Operation and Maintenance	0		0	
65	TOTAL All Utility Dept. (Total of lines 28, 62 & 64)	977,424,793	5,141,951	982,566,744	
66	Utility Plant				
67	Construction (By Utility Departments)				
68	Electric Plant	245,772,684	21,143,121	266,915,805	
69	Gas Plant				
70	Other (provide details in footnote)	0		0	
71	TOTAL Construction (Enter Total of lines 68 thru 70)	245,772,684	21,143,121	266,915,805	
72	Plant Removal (By Utility Departments)				
73	Electric Plant	29,208,641		29,208,641	
74	Gas Plant				
75	Other (provide details in footnote)	0		0	
76	TOTAL Plant Removal (Total of lines 73 thru 75)	29,208,641			
77	Other Accounts (Specify, provide details in footnote):				
78	Non-Regulated Products & Services	4,695,780		4,695,780	
79	Other Work in Progress	7,155,564		7,155,564	
80	Other Accounts	4,629,968		4,629,968	
95	TOTAL Other Accounts	16,481,312		16,481,312	
96	TOTAL SALARIES AND WAGES	1,268,887,430	26,285,072	1,295,172,502	

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Source: Duke Energy HR Operations

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

Line No.	Description	(a)	(b)	(c)	12 Months Ended Dec 31, 2018 (d)
1					
2	<u>Duke Energy Carolinas</u>				
3	100 Duke Energy Carolinas, LLC OASDI [ER] YTD Gross Wages				1,087,229,757 [1]
4	100 Duke Energy Carolinas, LLC OASDI [ER] YTD Taxable Wages				938,515,849 [1]
5	Percentage Total (L4 / L3)				86.3218%
6					
7	<u>Duke Energy Business Services</u>				
8	110 Duke Energy Business Services, LLC OASDI [ER] YTD Gross Wages				950,101,600 [2]
9	110 Duke Energy Business Services LLC OASDI [ER] YTD Taxable Wages				778,374,460 [2]
10	Percentage Total (L9 / L8)				81.93%
11					
12	<u>Duke Energy Progress</u>				
13	801 Duke Energy Progress, LLC OASDI [ER] YTD Gross Wages				613,149,643 [3]
14	801 Duke Energy Progress, LLC OASDI [ER] YTD Taxable Wages				539,237,877 [3]
15	Percentage Total (L14 / L13)				87.9456%
16					
17	<u>Calculation of Percentage of Wages Subject to OASDI</u>				
18	<u>For 12 Months Ended December 31, 2018</u>				
19	Duke Energy Carolinas	697,464,780 [4]	75.23% [5]	86.32% [8]	64.9417% [11]
20	Duke Energy Business Services	200,402,529 [4]	21.62% [6]	81.93% [9]	17.7093% [11]
21	Duke Energy Progress	29,216,870 [4]	3.15% [7]	87.95% [10]	2.7716% [11]
22	Total (Sum L19 through L21)	927,084,179	100.00%		85.4200%

- [1] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 100
[2] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 110
[3] NC-1307, Quarterly Federal Tax Summary Report - 4th Quarter 2018, Company: 801
[4] NC-1302 - Salaries and Wages by Payroll Company for Duke Energy Carolinas - 12 Months Ended December 31, 2018
[5] Column (a), Line 19 divided by Line 22
[6] Column (a), Line 20 divided by Line 22
[7] Column (a), Line 21 divided by Line 22
[8] Column (d), Line 5
[9] Column (d), Line 10
[10] Column (d), Line 15
[11] Column (b) multiplied by Column (c)

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Quarterly Federal Tax Summary Report - 100 - Duke Energy Carolinas, LLC

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

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OASDI and SSI Program Rates & Limits 2019

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

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

Supplemental Security Income (SSI)

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



Office of Retirement and Disability Policy

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

Line No.	Account & Description	Total
1		
2	0926000 - Employee Pensions and Benefits	\$ 245,276,637 [1]
3	0926420 - Employees' Tuition Refund	1,952 [1]
4	0926430 - Employees' Recreation Expense	79,872 [1]
5	0926600 - Employee Benefits - Transferred	(83,000,962) [1]
6	0926999 - Non Service Cost (ASU 2017-07)	(60,117,517) [1]
7	Total	<u>\$ 102,239,982</u>

[1] E-1 Item 2, Trial Balance

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(Dollars in thousands)

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

<u>Line No.</u>	<u>Description</u>	<u>Total Carolinas</u>
1		
2	Level of variable short term pay - 2018	\$ 111,871 [1]
3	Level of variable long term pay - 2018	26,162 [2]
4	Total (L2 + L3)	\$ 138,033
5		
6	2018 Catawba reimbursement allocation rate	13.988% [4]
7	Non-ownership percentage in Catawba plant	80.7540% [4]
8		
9	Costs reimbursed by Catawba Joint Owners (L4 x L6 x L7)	15,592
10	Remaining variable short and long term pay (L4 - L9)	\$ 122,441
11		
12		
13	2019 target level of variable short term pay	\$ 100,694 [3]
14	2019 target level of variable long term pay	27,465 [2]
15	Total (L13 + L14)	\$ 128,159
16		
17	2019 Catawba reimbursement allocation rate	12.0800% [5]
18	Non-ownership percentage in Catawba plant (L7)	80.754%
19		
20	Estimated costs reimbursed by Catawba Joint Owners (L15 x L17 x L18)	(12,502)
21	Adjustment to STIP	(3,404)
22	Adjustment to LTIP	(8,350)
23	Remaining variable short and long term pay (L15 + L20+ L21+ L22)	\$ 103,904
24		
25	Adjustment to restate variable short and long term pay at target (L23 - L10)	\$ (18,537)

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

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

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

[4] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended December 31, 2018, Lines 20 and 24

[4] NC-1303 (Update)- Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended September 30, 2019, Lines 20 and 24

[5] NC-1303 (Update) 2019 Catawba Allocation Rate

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

Line No.	Description	Other Balance Sheet (a)	Capital (b)	O&M (c)	Total (d)
1					
2	<u>Direct Charge:</u>				
3	Duke Energy Commercial Enterprises	\$ 312	\$ 208	\$ 1,821	\$ 2,341
4	Duke Energy Business Services	4,100,745	3,751,110	15,394,484	23,246,339
5	Duke Energy Carolinas	5,927,462	16,043,481	78,169,867	100,140,810
6	Duke Energy Indiana	9	15,413	70,314	85,736
7	Duke Energy Kentucky	-	12	5,129	5,142
8	Duke Energy Ohio	265	658	27,936	28,860
9	Piedmont Natural Gas	2,608	63	36,649	39,320
10	Duke Energy Progress	108,389	712,593	1,855,844	2,676,826
11	Duke Energy Florida	9,426	50,783	318,990	379,199
12	Direct Charge Total (Sum L3 through L11)	<u>\$ 10,149,217</u>	<u>\$ 20,574,322</u>	<u>\$ 95,881,035</u>	<u>\$ 126,604,574</u>
13					
14	% split between capital and O&M for direct charges		17.6671%	82.3329%	100.0000%
15					
16	<u>Service Company Allocation:</u>				
17	Duke Energy Commercial Enterprises	\$ -	\$ -	\$ 441	\$ 441
18	Duke Energy Business Services	-	217,642	12,078,469	12,296,111
19	Duke Energy Carolinas	-	28,258	(4,892,829)	(4,864,571)
20	Duke Energy Indiana	-	39	2,211	2,250
21	Duke Energy Kentucky	-	-	-	-
22	Duke Energy Ohio	-	-	(0)	(0)
23	Piedmont Natural Gas	-	-	(10,648)	(10,648)
24	Duke Energy Progress	-	5,399	552,836	558,235
25	Duke Energy Florida	-	1,551	(97,139)	(95,589)
26	Service Company Allocation Total (Sum L17 through L25)	<u>\$ -</u>	<u>\$ 252,889</u>	<u>\$ 7,633,341</u>	<u>\$ 7,886,230</u>
27					
28	Percentage split between capital and O&M for allocated		3.2067%	96.7933%	100.0000%
29					
30	Total (L12 + L26)	<u>\$ 10,149,217</u>	<u>\$ 20,827,211</u>	<u>\$ 103,514,376</u>	<u>\$ 134,490,804</u>
31					
32	Percentage split between capital and O&M for total		16.7500%	83.2500%	100.0000%
33					
34	<u>Summary:</u>				
35	Direct (L12)	\$ 10,149,217	\$ 20,574,322	\$ 95,881,035	\$ 126,604,574
36	Re-assignment of direct 'other' (-L36, Col. (a) x L14)	(10,149,217)	1,793,072	8,356,144	-
37	Allocated (L26)	0	252,889	7,633,341	7,886,230
38	Re-assignment of allocated "other"	-	0	0	(0)
39	Total (Sum L35 through L38)	<u>\$ 0</u>	<u>\$ 22,620,284</u>	<u>\$ 111,870,521</u>	<u>\$ 134,490,804</u>

Source: Duke Energy Corporate Accounting

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

Line No.	Description	Other Balance Sheet	Capital	O&M	Total
		(a)	(b)	(c)	(d)
2	<u>Direct Charge:</u>				
3	Duke Energy Commercial Enterprises	\$ 312	\$ 208	\$ 1,821	\$ 2,341
4	Duke Energy Business Services	4,100,745	3,751,110	15,394,484	23,246,339
5	Duke Energy Carolinas	5,927,462	16,043,481	67,180,639	89,151,582
6	Duke Energy Indiana	9	15,413	70,314	85,736
7	Duke Energy Kentucky	-	12	5,129	5,142
8	Duke Energy Ohio	265	658	27,936	28,860
9	Piedmont Natural Gas	2,608	63	36,649	39,320
10	Duke Energy Progress	108,389	712,593	1,855,844	2,676,826
11	Duke Energy Florida	9,426	50,783	318,990	379,199
12	Direct Charge Total (Sum L3 through L11)	<u>\$ 10,149,217</u>	<u>\$ 20,574,322</u>	<u>\$ 84,891,807</u>	<u>\$ 115,615,346</u>
13					
14	Percentage split between capital and O&M for direct charges		19.5080%	80.4920%	100.0000%
15					
16	<u>Service Company Allocation:</u>				
17	Duke Energy Commercial Enterprises	\$ -	\$ -	\$ 441	\$ 441
18	Duke Energy Business Services	-	217,642	12,078,469	12,296,111
19	Duke Energy Carolinas	-	28,258	(4,892,829)	(4,864,571)
20	Duke Energy Indiana	-	39	2,211	2,250
21	Duke Energy Kentucky	-	-	-	-
22	Duke Energy Ohio	-	-	(0)	(0)
23	Piedmont Natural Gas	-	-	(10,648)	(10,648)
24	Duke Energy Progress	-	5,399	552,836	558,235
25	Duke Energy Florida	-	1,551	(97,139)	(95,589)
26	Service Company Allocation Total (Sum L17 through L25)	<u>\$ -</u>	<u>\$ 252,889</u>	<u>\$ 7,633,341</u>	<u>\$ 7,886,230</u>
27					
28	Percentage split between capital and O&M for allocated		3.2067%	96.7933%	100.0000%
29					
30	Total (L12 + L26)	<u>\$ 10,149,217</u>	<u>\$ 20,827,211</u>	<u>\$ 92,525,148</u>	<u>\$ 123,501,576</u>
31					
32	Percentage split between capital and O&M for total		18.3739%	81.6261%	100.0000%
33					
34	<u>Summary:</u>				
35	Direct (L12)	\$ 10,149,217	\$ 20,574,322	\$ 84,891,807	\$ 115,615,346
36	Re-assignment of direct 'other' (-L36, Col. (a) x L14)	(10,149,217)	1,979,909	8,169,307	-
37	Allocated (L26)	0	252,889	7,633,341	7,886,230
38	Re-assignment of allocated "other"	(0)	0	0	-
39	Total (Sum L35 through L38)	<u>\$ -</u>	<u>\$ 22,807,121</u>	<u>\$ 100,694,456</u>	<u>\$ 123,501,576</u>

Source: Duke Energy Corporate Accounting

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Variable Long Term Pay for Duke Energy Carolinas

Line No.	Description	Total (a)	Performance Awards (b)	Restricted Stock Units (c)
1				
2	<u>Stock-Based Compensation - Actuals - 12 Months Ended December 31, 2018</u>			
3				
4	Grand total - gross	\$ 28,181,797	\$ 13,040,845	\$ 15,140,952
5	Less: capital	2,020,005	336,992	1,683,013
6	Stock-based compensation, net EBIT	\$ 26,161,792	\$ 12,703,853	\$ 13,457,939
7				
8				
9	<u>Ongoing Stock-Based Compensation</u>			
10				
11	Grand total - gross	\$ 30,437,227	\$ 11,516,828	\$ 18,920,399
12	Less: capital	2,972,381	512,175	2,460,206
13	Stock-based compensation, net EBIT	\$ 27,464,846	\$ 11,004,653	\$ 16,460,193

Source: Duke Energy Corporate Accounting

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize O&M non-labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1311
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May - Second Supplemental

Adjustment to Annualize Ernst & Young outside tax services contract

Line No.	Description	Total Company	DEC Allocation	Total DEC
1	Estimated costs for E&Y outside tax services in 2019	\$7,586,926	34.8400% [1]	\$2,643,285
2	Total costs for E&Y outside tax services in 2018	2,533,332	35.4100% [2]	897,053
3	Adjustment to annual expense for E&Y outside tax services	\$5,053,594		\$1,746,232

[1] 2019 Service Company Cost Allocation

[2] 2018 Service Company Cost Allocation

Source - Duke Energy Carolinas - Corporate Services Business Support

Duke Energy Carolinas, LLC
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Annualize O&M non-labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1312
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May - Second Supplemental

Line No.	Item	DEC Amount
Settled Methodology which excludes STIP and LTIP tied to EPS for executives and those who are eligible for LTIP		
Short Term Incentive Plan (STIP)		
1	Total Company STIP pay accrued expense associated with earnings per share (EPS)	\$ 116,755 [1]
2	% of executives and LTIP eligible employees receiving STIP	11.53% [2]
3	Total Company STIP pay accrued expense associated with earnings per share (EPS) (L1 x L2)	\$ 13,462
4	Total Company STIP accrual	350,545 [1]
5	Percentage of STIP related to EPS (L3 / L4)	3.84%
6	STIP at target level associated with O&M expense per Company, net of Joint Owners	89,320 [3]
7	Adjustment to remove STIP related to EPS outcomes - total system (-L5 x L6)	(3,430)
8	Executive STIP already removed in executive compensation adjustment	26
9	Adjustment to STIP (L9 + L10)	<u>(\$3,404)</u>
Long Term Incentive Plan (LTIP)		
11	LTIP Performance Shares associated with EPS and TSR at target, net Joint Owners	\$ 9,762 [4]
14	Adjustment to remove LTIP associated with EPS and TSR - total system (-L14)	(9,762)
15	Executive LTIP already removed in executive compensation adjustment	1,412
16	Adjustment to LTIP (L18 + L19)	<u>(\$8,350)</u>
18	Total adjustment to incentive pay (L11 + L20)	<u>(\$11,754)</u>
<u>Based on executive compensation adjustment</u>		
22	STIP for top five executives - DEC, net Joint Owners	\$ 1,371 [5]
23	STIP EPS percentage	3.84%
24	Exclusion percentage	50.00%
25	Executive STIP already removed in executive comp ad	<u>26</u>
<u>Based on executive compensation adjustment</u>		
28	LTIP for top five executives - DEC, net Joint Owners	\$ 7,047 [5]
29	LTIP EPS and TSR percentage	40.07% [4]
30	Exclusion percentage	50.00%
31	Executive LTIP already removed in executive comp ad	<u>1,412</u>

[1] Data Request - DEC PS 35-7 (revised)

[2] Data Request - DEC PS 49-8 (revised)

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

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

[5] Data Request - DEC Executive Comp

[6] Allocation Factor - Labor [Wage and Salary Related Items] (Factor 59)

McManeus Second Supplemental Exhibit 1

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for Merger Related Costs
For the test period ended December 31, 2018

NC-1900
Narrative
May - Second Supplemental

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

September Update

Updated NC-1904 with actuals through September 2019.

October Update

Updated NC-1904 with actuals through October 2019.

November Update

Updated NC-1904 with actuals through November 2019.

December Update

Updated NC-1904 with actuals through December 2019.

Proforma NC-1000 has been updated to reflect balances as of December 2019, therefore NC-1903 has been updated to reflect balances as of December 2019.

January Update

Updated NC-1904 with actuals through January 2020.

May Second Supplemental

Updated NC-1904 with actuals through May 2020.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for Merger Related Costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1900
Page 1 of 1
May - Second Supplemental

Line No.	Description	Source	Total NC Retail May - Second Supplemental	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1						
2	Pro Formas Impacting Income Statement Line Items					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-1901	(5,530)	(5,530)	(5,530)	-
11	Depreciation and amortization	NC-1901	(56)	(48)	(21)	(35)
12	General taxes	NC-1901	(73)	(73)	(73)	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-1901	1,321	1,319	1,313	8
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(4,338)	(4,331)	(4,311)	(27)
18						
19	Operating income	L4 - L17	\$ 4,338	\$ 4,331	\$ 4,311	\$ 27
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	Pro Formas Impacting Rate Base Line Items					
27						
28	Electric plant in service	NC-1901	\$ (1,577)	\$ (1,206)	\$ -	\$ (1,577)
29	Accumulated depreciation and amortization	NC-1901	445	338	338	107
30	Electric plant in service, net	Sum L28 through L29	(1,131)	(868)	338	(1,469)
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	-	-	-
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes		-	-	-	-
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ (1,131)	\$ (868)	\$ 338	\$ (1,469)
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

McManeus Second Supplemental Exhibit 1

Duke Energy Carolinas, LLC
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For the test period ended December 31, 2018
(Dollars in thousands)

NC-1901
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May - Second Supplemental

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1				
2	Remove Merger Cost to Achieve - A&G	\$ (7,525) [1]	67.7195% [2]	\$ (5,096)
3	Remove Merger Cost to Achieve - Customer Accts	(569) [1]	76.2817% [3]	(434)
4	Impact to O&M (L2 + L3)	<u>\$ (8,094)</u>		<u>\$ (5,530)</u>
5				
6	Remove Depreciation related to Merger Transmission Plant	\$ (106) [4]	52.6634% [5]	\$ (56)
7	Impact to Depreciation and Amortization (L6)	<u>\$ (106)</u>		<u>\$ (56)</u>
8				
9	Remove General Taxes	(108) [1]	67.7195% [2]	\$ (73)
10				
11	Statutory tax rate	23.3503% [6]		23.3503%
12	Impact to income taxes ((-L4 - L7 - L9) x L11)	<u>\$ 1,940</u>		<u>\$ 1,321</u>
13				
14	Impact to operating income (-L4 - L7 - L9 - L12)	<u>\$ 6,368</u>		<u>\$ 4,338</u>
15				
16	<u>Rate Base investment:</u>			
17	Remove Transmission Merger Electric Plant in Service	(2,994) [4]	52.6634% [5]	\$ (1,577)
18	Remove Transmission Merger Accumulated Depreciation	846 [4]	52.6634% [5]	445
19	Impact to Rate Base investment (L17 + L18)	<u>\$ (2,148)</u>		<u>\$ (1,131)</u>
20				
21	Impact to rate base (L19)	<u>\$ (2,148)</u>		<u>\$ (1,131)</u>

[1] NC-1902 - Piedmont Cost to Achieve

[2] Allocation Factor - All Labor

[3] Allocation Factor - All Customer Number

[4] NC-1903 - Progress Cost to Achieve

[5] Allocation Factor - All Transmission Demand

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

McManeus Second Supplemental Exhibit 1

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust for Merger Related Costs
For the test period ended December 31, 2018

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Piedmont Cost to Achieve

Line No.	Description	Total Carolinas 12/31/2018
1	0903000 - Cust Records and Collection Exp	\$ 568,368
2	0903200 - Cust Billing and Acct	266
3	0920000 - A and G Salaries	1,843,954 a
4	0921100 - Employee Expenses	63,771 a
5	0921200 - Office Expenses	(42,460) a
6	0921400 - Computer Services Expenses	53,866 a
7	0921540 - Computer Rent (Go Only)	40,728 a
8	0921980 - Office Supplies and Expenses	77,022 a
9	0923000 - Outside Services Employed	6,029,784 a
10	0926000 - Empl Pensions and Benefits	484
11	0926600 - Employee Benefits - Transferred	415,586 a
12	0930200 - Misc General Expenses	545 a
13	0930250 - Buy\Sell Transf Employee Homes	45 a
14	0930940 - General Expenses	41
15	0931001 - Rents - AandG	28 a
16	0935100 - Maint General Plant-Elec	178 a
17	Sub-Total O&M (Sum L1 through L16)	<u>\$ 9,052,206</u>
18		
19	Accounts in A&G reimbursement calculation (Sum of a)	\$ 8,483,047 a
20	Catawba reimbursement allocation rate	13.988% [2]
21	Non-ownership percentage in Catawba plant	80.754% [2]
22	Costs reimbursed by Catawba Joint Owners (L19 x L20 x L21)	958,234
23	Total O&M less Catawba reimbursement (L17 - L22)	<u>\$ 8,093,972</u>
24		
25	0408960 - Allocated Payroll Taxes	121,510
26		
27	Catawba reimbursement allocation rate	13.988% [2]
28	Non-ownership percentage in Catawba plant	80.754% [2]
29	Costs reimbursed by Catawba Joint Owners (L25 x L27 x L28)	13,726
30	Total General Taxes less Catawba reimbursement (L25 - L29)	<u>\$ 107,784</u>

[1] Source: Corporate Accounting

[2] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Alloc. \$), 12 ME Dec. 31, 2018, Lines 20 and 24

Duke Energy Carolinas, LLC
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Adjust for Merger Related Costs
For the test period ended December 31, 2018

NC-1903
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Progress Cost to Achieve Impacts

Line No.	Description	Plant in Service 12/31/2018	Current Rate	Calculated Annual Accrual	Actual 12ME Depr Booked	Difference
1	<u>Impact to Income Statement Line Items</u>					
2	Transmission - Gross Projects	\$ 28,848,828 [1]	2.05% [2]	\$ 590,918	603,770	\$ (12,853)
3	Transmission Expansion Projects (TEP) - Impairment Projects	(14,663,971) [1]	0.00% [2]	(603,770) [2]	(603,770) [2]	-
4	Balance in Plant in Service related to TEP (L2 + L3)	\$ 14,184,857		\$ (12,853)	\$ -	\$ (12,853)
5	Impact of Progress CTA assets to depreciation expense in NC-0802 (L4)					\$ (12,853)
6						
7						
8						
9						
10						
11	Transmission - Gross Projects	\$ 28,848,828 [1]	2.05% [2]	\$ 590,918	2.23% [3] \$ 643,329	\$ 52,411
12	Transmission Expansion Projects (TEP) - Impairment Projects	(14,663,971) [1]	0.00%	-	-	-
13	Balance in Plant in Service related to TEP (L11 + L12)	\$ 14,184,857		\$ 590,918	\$ 643,329	\$ 52,411
14	Impact of Progress CTA assets to depreciation expense in NC-2602 (L13)					\$ 52,411
15						
16						
17						
18						
19						
20	Electric Plant in Service - Balances	\$ 2,993,575 [1]			Proposed Rate 2.23% [3]	Depr. Exp \$ 66,757
21	Impact of Progress CTA assets to depreciation expense in NC-1001 (L20)					\$ 66,757
22						
23	Impact to depreciation and amortization (L5 + L14 + L21)					\$ 106,315
24						
25						
26						
27						
28						
29	<u>Impact to Rate Base Line Items</u>					
30	Electric Plant in Service - Balances	\$ 2,993,575 [1]				\$ 2,993,575
31	Impact of Progress CTA assets to electric plant in service in NC-1002 (L30)					\$ 2,993,575
32						
33	Impact to electric plant in service (L31)					\$ 2,993,575
34						
35	Accumulated Depreciation - Balances	\$ (865,935) [1]				\$ (865,935)
36	Impact of Progress CTA assets to accumulated depreciation in NC-1003 (L35)					\$ (865,935)
37						
38						
39						
40						
41	Transmission - Gross Projects	\$ 28,848,828 [1]	2.05% [2]	\$ 590,918	Forecasted 12ME Depr Booked 611,248 [1]	\$ (20,330)
42	Transmission Expansion Projects (TEP) - Impairment Projects	(11,670,396) [1]	0.00% [2]	(611,248)	(611,248) [1]	-
43	Balance in Plant in Service related to TEP (L41 + L42)	\$ 17,178,432		\$ (20,330)	\$ -	\$ (20,330)
44	Impact of Progress CTA assets to accumulated depreciation in NC-1006 (-L43)					\$ 20,330
45						
46	Impact to accumulated depreciation (L36 + L44)					\$ (845,605)
47						
48	Total net plant (L33 + L46)					\$ 2,147,970

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

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

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

[4] Electric plant in service and accumulated depreciation balances at 12/31/2018 related to the Transmission Expansion Projects are excluded in COSS in lines 350-359 TRNSM PLANT-MITIGATION-EXCL and 108-111 AD-TRNSM-MITIGATION-EXCL.

Duke Energy Carolinas, LLC
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Adjust for Merger Related Costs
For the period ended December 31, 2019

NC-1904
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Progress Cost to Achieve - Monthly Amounts

Line No.	Description	ACTUALS [1]																		Net Change s = f - a
		Dec 2018 a	Jan 2019 b	Feb 2019 c	Mar 2019 d	Apr 2019 e	May 2019 f	Jun 2019 g	Jul 2019 h	Aug 2019 i	Sep 2019 j	Oct 2019 k	Nov 2019 l	Dec 2019 m	Jan 2020 n	Feb 2020 o	Mar 2020 p	Apr 2020 q	May 2020 r	
2	Electric Plant in Service - Balances																			
3	Transmission - Gross Project	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	\$ 28,848,828	
4	Transmission Expansion Projects (TEP) - Impairment Project	(14,663,971)	(14,487,744)	(14,311,517)	(14,135,290)	(13,959,063)	(13,782,836)	(13,606,610)	(13,430,383)	(13,254,156)	(13,077,929)	(12,901,702)	(12,725,475)	(12,549,248)	(12,373,478)	(12,197,707)	(12,021,937)	(11,846,167)	(11,670,396)	
5	Balance in Plant in Service related to Transmission Expansion Projects (TI)	\$ 14,184,857	\$ 14,361,084	\$ 14,537,311	\$ 14,713,538	\$ 14,889,765	\$ 15,065,992	\$ 15,242,219	\$ 15,418,446	\$ 15,594,672	\$ 15,770,899	\$ 15,947,126	\$ 16,123,353	\$ 16,299,580	\$ 16,475,351	\$ 16,651,121	\$ 16,826,891	\$ 17,002,662	\$ 17,178,432	
6																				
7	Accumulated Depreciation - Balances																			
8	Accumulated Depreciation related to Transmission Expansion Projects (TE)	\$ (2,783,171)	\$ (2,834,109)	\$ (2,885,046)	\$ (2,935,983)	\$ (2,986,920)	\$ (3,037,858)	\$ (3,088,795)	\$ (3,139,732)	\$ (3,190,670)	\$ (3,241,607)	\$ (3,292,544)	\$ (3,343,482)	\$ (3,394,419)	\$ (3,445,356)	\$ (3,496,294)	\$ (3,547,231)	\$ (3,598,168)	\$ (3,649,106)	
9																				
10	Depreciation Expense - Activity																			
11	Depreciation Expense on Gross Project	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	\$ 50,937	
12	Amortization of Impairment	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	(50,937)	
13	Depreciation Expense related to Transmission Expansion Projects (TEF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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

[2] Forecasted Plant in Service amounts provided by Duke Energy Carolinas - Franchised Electric & Gas Planning and Forecasting

McManeus Second Supplemental Exhibit 1

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018

NC-2200
Narrative
May - Second Supplemental

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to income taxes is determined as follows:

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

January Update

Recalculated based on December updated figures

January Rebuttal

Recalculated based on changes in other proformas adjustments

Supplemental Rebuttal

Recalculated based on updated figures as a result of the settlement agreement.

May Second Supplemental

Recalculated based on updated figures as a result of the May Second Supplemental updates.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2200
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May - Second Supplemental

Line No.	Description	Source	Total NC Retail May - Second Supplemental	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense		-	-	-	-
11	Depreciation and amortization		-	-	-	-
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-2201	(1,013)	(220)	(2,580)	1,567
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(1,013)	(220)	(2,580)	1,567
18						
19	Operating income	L4 - L17	\$ 1,013	\$ 220	\$ 2,580	\$ (1,567)
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization					
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	-	-	-
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes		-	-	-	-
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

McManeus Second Supplemental Exhibit 1

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2201
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May - Second Supplemental

Line No.	Description	Total Carolinas Col [a]	NC Retail Allocation Col [b]	Total NC Retail Col [c]
1				
2	Rate base before pro forma adjustments	\$ 21,361,527 [1]	68.1442% [2]	\$ 14,556,650 [1]
3				
4	Pro forma rate base	\$ 23,401,626 [3]		\$ 15,946,851 [7]
5				
6	Long-term debt ratio	47.0000% [4]		47.0000% [4]
7	Calculated long-term debt (L4 x L6)	\$ 10,998,764		\$ 7,495,020
8				
9	End of year cost of long-term debt	4.2900% [4]		4.2900% [4]
10	Annualized interest expense (L7 x L9)	\$ 471,847		\$ 321,536
11				
12	Incurred interest expense	465,481 [5]		317,199 [5]
13	Increase / <decrease> to interest costs (L10 - L12)	\$ 6,366		\$ 4,338
14				
15	Statutory tax rate	23.3503% [6]		23.3503% [6]
16	Impact to income taxes (-L13 x L15)	\$ (1,486)		\$ (1,013)
17				
18	Impact to operating income (-L16)	\$ 1,486		\$ 1,013

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

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

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

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

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

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

[7] McManeus Exhibit 1, Page 1, Line 12 Less Detail of Accounting Adjustments Page 3, line 23 Rate base

Duke Energy Carolinas, LLC

Docket No. E-7, Sub 1214

Adjust cash working capital for present revenue annualized and proposed revenue

For the test period ended December 31, 2018

NC-2300

Narrative

May - Second Supplemental

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

Updated NC-2303 Summary based on revised E&Y Lead Lag Study

Updated NC-2302 Lead Lag days based on revised E&Y study.

January Update

Recalculated based on January updated figures

January Rebuttal

NC 2301 and 2302 were set up in more detail like the Public Staff

Impacted by changes in other proformas

Supplemental Rebuttal

Recalculated based on updated figures as a result of the Settlement agreement

May Second Supplemental

Recalculated based on updated figures as a result of the Second Supplemental

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

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Line No.	Description	NC Retail Financials		NC Retail Iteration 1		NC Retail Iteration 2		Wgt Lead Lag Days (i)
		Adjusted with CWC (a)	Revenue Increase (b)=(c)-(a)	Adjusted w/Increase (c)=(n)	Increase (d)=(e)-(a)	With Increase (e)=(a)+(d)	Increase (g)=(h)-(e)	
1	Total Adjusted Revenue	4,789,651 [1]						
2	Revenue Increase (L3)		416,023		411,918			39.69 [1]
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	4,789,651	416,023	5,205,674	411,918	5,201,569	4,084	39.68 [13]
4								
5	Total Adjusted Fuel Used in Electric Generation	1,159,551 [1]	0	1,159,551		1,159,551		22.33 [1]
6	Adjusted Purchased Power	23,412 [1]	0	23,412		23,412		136.58 [1]
7								
8	Operation & Maintenance Expense	1,163,638 [1]		0				33.73 [1]
9	Revenue Increase (L10)		1,580		1,564		16	33.90 [12]
10	Operation and Maintenance Expense with Increase (L8 + L9)	1,163,638	1,580	1,165,218	1,564 [5]	1,165,202	16 [5]	33.73 [13]
11								
12	Total Adjusted Depreciation and Amortization	1,198,968 [1]	0	1,198,968		1,198,968		- [1]
13	Total Adjusted General Taxes	212,156		212,156		212,156		170.43
14								
15	Total Adjusted Interest on Customer Deposits	7,130 [1]	0	7,130		7,130		218.39 [1]
16								
17	Net Income Taxes	179,835		0			0	0.43
18	Revenue Increase (L19)		96,563		95,819		740	0.48 [12]
19	Income Taxes with Increase (L17 + L18)	179,835	96,563	276,398	95,819 [7]	275,654	740 [7]	0.28 [13]
20								
21	Total EDIT Amortization	(29,734)	0	(29,734)		(29,734)		- [1]
22	Total Adjusted Amortization of Investment Tax Credit	(2,836) [1]	0	(2,836)		(2,836)		- [1]
23	Total Operating Expense (L5+L6+L10+L12+L13+L15+L19+L21+L22)	3,912,120	98,143	4,010,262	97,383	4,009,503	756	26 [14]
24								
25	Income for Return (L3 - L23)	877,531	317,880	1,195,412	314,535	1,192,066 [8]	3,328	22.98 [14]
26	Interest Expense	321,534 [1]	902	322,436	0	321,534 [9]	898	85.20 [1]
27	Return for Equity (L25 - L26)	555,997	316,978	872,975	314,535	870,532	2,430	- [1]
28								
29	Total Requirement (L23 + L25 = L3)	4,789,651		5,205,674		5,201,569		25.68 [14]
30	Rate Base [CWC Solved for Through Iterative Process]	15,946,737 [1]	44,752	15,991,489		15,946,737 [10]	44,521 [15]	15,991,258
31								
32	Overall Rate of Return (L25 / L30)	5.50%		7.48%		7.48%		7.4753%
33	Target Rate of Return	7.48% [2]		7.48% [2]		7.48% [2]		7.4753% [2]
34								
35	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Rev Incr	Adj w/Incr				
36	Annual Requirement (L3 and/or L29)	4,789,651		5,205,674	5,201,569		5,205,653.07	
37	Daily Requirement (L36 / 365 Days)	13,122		14,262	14,251		14,262	
	Net Lag Days (Column (c) only: L38 / L37)	11.81		14.00	14.00		14.00	
38	Est. CWC Req. Before Sales Tax Requirement (L37 x L)	154,950	44,752 [3]	199,702 [4]	44,521	199,471	230	199,701
39	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]				
40	Total Cash Working Capital Requirements (L38 + L39)	161,154	44,752	205,906				

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)

[2] NC-2304-Inputs, Total ROR

[3] Ties to Line 30, Column (b)

[4] Sum of Line 38, Columns (a) + (d) + (g) + (i)

[5] Sum of (L19 + L25) x Reg Fee and Uncollectibles Rate: 0.37977%

[7] L27 / (1 - Tax Rate: 23.3503%) - L27

[8] Line 30 x Rate of Return: 7.4753%

[9] Line 30 x Debt Rate: 4.29% and Debt Ratio: 47%

[10] Column (e) = Column (a)

[11] Line 3, Column (f), (i), (l) - Line 29, Column (f), (i), (l)

[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag

[13] Calculation of Average Lead/Lag Day

[14] New weighted averages are calculated.

[15] Line 38, Columns (d), (g), (i)

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Line No.	Description	NC Retail Iteration 3			NC Retail Iteration 4		
		Increase (j)=(k)-(h)	With Increase (k)=(h)+(j)	Wgt Lead Lag Days (l)	Increase (m)=(n)-(k)	With Increase (n)=(k)+(m)	Wgt Lead Lag Days (o)
1	Total Adjusted Revenue			39.69 [1]			39.69 [1]
2	Revenue Increase (L3)	21		39.58 [12]	0		39.58 [12]
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	21	5,205,674	39.68 [13]	0	5,205,674	39.68 [13]
4							
5	Total Adjusted Fuel Used in Electric Generation		1,159,551	22.33 [1]		1,159,551	22.33 [1]
6	Adjusted Purchased Power		23,412	136.58 [1]		23,412	136.58 [1]
7							
8	Operation & Maintenance Expense			33.73 [1]			33.73 [1]
9	Revenue Increase (L10)	0		33.90 [12]	0		33.90 [12]
10	Operation and Maintenance Expense with Increase (L8 + L9)	0 [5]	1,165,218	33.73 [13]	0 [5]	1,165,218	33.73 [13]
11							
12	Total Adjusted Depreciation and Amortization		1,198,968	- [1]		1,198,968	- [1]
13	Total Adjusted General Taxes		212,156	170.43		212,156	170.43
14							
15	Total Adjusted Interest on Customer Deposits		7,130	218.39 [1]		7,130	218.39 [1]
16							
17	Net Income Taxes		-	0.43		-	0.43
18	Revenue Increase (L19)	4	744	0.48 [12]	0	744	0.48 [12]
19	Income Taxes with Increase (L17 + L18)	4 [7]	276,398	0.28 [13]	0 [7]	276,398	0.28 [13]
20							
21	Total EDIT Amortization		(29,734)	- [1]		(29,734)	- [1]
22	Total Adjusted Amortization of Investment Tax Credit		(2,836)	- [1]		(2,836)	- [1]
23	Total Operating Expense (L5+L6+L10+L12+L13+L15+L19+L21+L22)	4	4,010,262	26 [14]	0	4,010,262	26 [14]
24							
25	Income for Return (L3 - L23)	17	1,195,412 [8]	22.98 [14]	0	1,195,412 [8]	22.98 [14]
26	Interest Expense	5	322,436 [9]	85.20 [1]	0	322,436 [9]	85.20 [1]
27	Return for Equity (L25 - L26)	13	872,975	- [1]	0	872,975	- [1]
28							
29	Total Requirement (L23 + L25 = L3)		5,205,674	25.68 [14]		5,205,674	25.68 [14]
30	Rate Base [CWC Solved for Through Iterative Process]	230 [15]	15,991,488		1 [15]	15,991,489	
31							
32	Overall Rate of Return (L25 / L30)		7.4753%			7.4753%	
33	Target Rate of Return		7.4753% [2]			7.4753% [2]	
34							
35	<u>Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase</u>						
36	Annual Requirement (L3 and/or L29)		5,205,674				
37	Daily Requirement (L36 / 365 Days)		14,262				
	Net Lag Days (Column (c) only: L38 / L37)		14.00				
38	Est. CWC Req. Before Sales Tax Requirement (L37 x L)	1	199,702				
39	Add: Working Capital Related to NC Sales Tax						
40	Total Cash Working Capital Requirements (L38 + L39)						

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)

[2] NC-2304-Inputs, Total ROR

[3] Ties to Line 30, Column (b)

[4] Sum of Line 38, Columns (a) + (d) + (g) + (j)

[5] Sum of (L19 + L25) x Reg Fee and Uncollectibles Rate: 0.37977%

[7] L27 / (1 - Tax Rate: 23.3503%) - L27

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[11] Line 3, Column (f), (i), (l) - Line 29, Column (f), (i), (l)

[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag

[13] Calculation of Average Lead/Lag Day

[14] New weighted averages are calculated.

[15] Line 38, Columns (d), (g), (j)

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Cash Working Capital for Present Revenue

Line No.	Description	Financials					Lead Lag Days		
		Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)
1	Rate revenues	4,751,193 [1]		4,751,193		4,751,193	39.58 [1]		39.58
2	Sales for resale revenues	61,600		61,600		61,600			35.44
3	Forfeited discounts	15,256		15,256		15,256			70.00
4	Miscellaneous service revenues	9,541		9,541		9,541			76.00
5	Rent revenues - extra facilities - depreciation			0		0			0.00
6	Rent revenues - extra facilities - other	25,058		25,058		25,058	30.13		30.13
7	Rent revenues - pole & line attachments	27,655		27,655		27,655	143.39		143.39
8	Tower lease revenues	6,161		6,161		6,161	-93.97		(93.97)
9	Other electric rents	3,060		3,060		3,060	45.21		45.21
10	Return & depr - Catawba general plant	11,264		11,264		11,264	-15.21		(15.21)
11	Other misc revenues - CIAC & comp for svc	13,227		13,227		13,227	-15.21		(15.21)
12	Other misc revenues - timber sales	(2,737)		(3)		(3)			0.00
13	Profit or loss on sale of M&S	(1)		(1)		(1)			0.00
14	Deferred DSM costs - NC	(377)		(377)		(377)			0.00
15	Other revenue affiliate	8,729		8,729		8,729	40.21		40.21
16	Revenues from transm of electricity to others	5,032		5,032		5,032	40.41		40.41
17	Other electric revenues	3,639		3,639		3,639	36.03		36.03
18	Other electric revenues riders	(38,869)		(38,869)		(38,869)	0.00		0.00
19	Other transmission revenues	1,916		1,916		1,916	0.00		0.00
20	<u>Rate Schedule Revenue Adjustments</u>								
21	PF REV-Annualize retail revenues for current rates		(110,407) [3]	(110,407)		(110,407)		39.58 [2]	39.58
22	PF REV-Normalize for weather		(96,809) [3]	(96,809)		(96,809)		39.58 [2]	39.58
23	PF REV-Annualize revenues for customer growth		25,412 [3]	25,412		25,412		39.58 [2]	39.58
24	PF REV-Eliminate unbilled revenues		26,204 [3]	26,204		26,204		39.58 [2]	39.58
25	PF REV-Adjust for costs recovered through non-fuel riders		50,669 [3]	50,669		50,669		0.00 [2]	0.00
26	PF REV-Adjust Other Revenue		(9,502) [3]	(9,502)		(9,502)		39.58 [2]	39.58
27	Rounding - Revenue		0	0		0		39.58 [2]	39.58
28	Revenue - Adjustments (Sum Lines 21 through 27)	0	(114,433)	(114,433)		4,789,651			
29	Total Adjusted Revenue (L1 + L28)	4,904,084	(114,433) [4]	4,789,651 [3]	0	4,789,651	40.09 [8]	(0.41) [9]	39.69 [8] \$ 520,785
30									
31	<u>Operating Expenses:</u>								
32	Fuel Used in Electric Generation	989,374 [2]		989,374		989,374	22.33 [2]		22.33
33	PF FUEL-Normalize for weather		(25,025) [3]	(25,025)		(25,025)		22.33 [2]	22.33
34	PF FUEL-Annualize revenues for customer growth		2,960 [3]	2,960		2,960		22.33 [2]	22.33
35	PF FUEL-Update fuel costs to proposed rate		209,105 [3]	209,105		209,105		22.33 [2]	22.33
36	PF FUEL-Adjust for costs recovered through non-fuel riders		(16,862) [3]	(16,862)		(16,862)		22.33 [2]	22.33
37	Rounding - Fuel		0	0		0		22.33 [2]	22.33
38	Fuel Used in Electric Generation - Adjustments (Sum Lines 34:38)	0	170,177	170,177		1,159,551			
39	Total Adjusted Fuel Used in Electric Generation (L33 + L39)	989,374	170,177 [4]	1,159,551 [3]	0	1,159,551	22.33 [8]	0.00 [9]	22.33 [8] \$ 70,939
40									
41	Purchased Power	331,394 [2]		331,394		331,394	39.00 [2]		39.00
42	Deferred Fuel	(137,046)		(137,046)		(137,046)	22.33		22.33
43	PF PURCH POWER-Update fuel costs to proposed rate		(169,854) [3]	(169,854)		(169,854)		39.00 [2]	39.00
44	PF PURCH POWER-Adjust for costs recovered through non-fuel riders		(1,082) [3]	(1,082)		(1,082)		39.00 [2]	39.00
45	Rounding - Purchased Power		0	0		0			
46	Purchased Power - Adjustments (Sum Lines 45 through 47)	0	(170,936)	(170,936)		23,412			
47	Total Adjusted Purchased Power (L43 + L48)	194,348	(170,936) [4]	23,412 [3]	0	23,412	50.75 [8]	85.83 [9]	136.58 [8] \$ 8,761
48									
49	Labor expense	571,027 [2]		571,027		571,027	36.37 [2]		36.37
50	Benefits expense	69,021		69,021		69,021			12.21
51	Regulatory commission expense	8,163		8,163		8,163			89.82
52	Property insurance	1,625		1,625		1,625			-474.55
53	Injuries and damages for corp	5,274		5,274		5,274			(145.50)
54	Uncollectable accounts	12,692		12,692		12,692			0.00
55	Other O&M expense	708,137		708,137		708,137			36.49
56	PF O&M-Annualize retail revenues for current rates		(826) [3]	(826)		(826)		O&M Excl Fuel & PP	33.90 [2]
57	PF O&M-Normalize for weather		(368) [3]	(368)		(368)		O&M Excl Fuel & PP	33.90 [2]
58	PF O&M-Annualize revenues for customer growth		2,142 [3]	2,142		2,142		O&M Excl Fuel & PP	33.90 [2]
59	PF O&M-Update fuel costs to proposed rate		(21,892) [3]	(21,892)		(21,892)		O&M Excl Fuel & PP	33.90 [2]
60	PF O&M-Adjust for costs recovered through non-fuel riders		(117,372) [3]	(117,372)		(117,372)		O&M Excl Fuel & PP	33.90 [2]
61	PF O&M-Adjust for approved regulatory assets and liabilities		1,408 [3]	1,408		1,408		Amortization	0.00 [2]
62	PF O&M-Amortize Severance Costs		(47,462) [3]	(47,462)		(47,462)		Labor expense	36.37 [2]
63	PF O&M-Adjust for credit card fees		8,976 [3]	8,976		8,976		Other O&M expense	36.49 [2]
64	PF O&M-Annualize O&M non-labor expenses		4,572 [3]	4,572		4,572		Total O&M	30.71 [2]
65	PF O&M-Normalize O&M labor expenses		(28,128) [3]	(28,128)		(28,128)		Labor expense	36.37 [2]
66	PF O&M-Update benefits costs		(3,560) [3]	(3,560)		(3,560)		Benefits expense	12.00 [2]

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Cash Working Capital for Present Revenue

Line No.	Description	Financials					Lead Lag Days		
		Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)
70	PF O&M-Levelize nuclear refueling outage costs		(1,946) [3]	(1,946)		(1,946)	Other O&M expense	36.49 [2]	36.49 (195)
71	PF O&M-Amortize rate case costs		801 [3]	801		801	Amortization	0.00 [2]	0.00 -
72	PF O&M-Adjust aviation expenses		(2,304) [3]	(2,304)		(2,304)	O&M Excl Fuel & PP	33.90 [2]	33.90 (214)
73	PF O&M-Adjust for Meger Related Costs		(5,530) [3]	(5,530)		(5,530)	O&M Excl Fuel & PP	33.90 [2]	33.90 (514)
74	PF O&M-Adjust O&M for executive compensation		(3,523) [3]	(3,523)		(3,523)	Labor expense	36.37 [2]	36.37 (351)
75	PF O&M-Adjust vegetation management expenses		7,739 [3]	7,739		7,739	Other O&M expense	36.49 [2]	36.49 774
76	PF O&M-Adjust Other Revenue		(36) [3]	(36)		(36)	O&M Excl Fuel & PP	33.90 [2]	33.90 (3)
77	PF O&M-Adjust for change in NCUC regulatory fee-DEC		(500) [3]	(500)		(500)	Regulatory Commission Expense	89.82 [2]	89.82 (123)
78	PF O&M-Adjust for Hydro Stations Sale		(1,560) [3]	(1,560)		(1,560)	O&M Excl Fuel & PP	33.90 [2]	33.90 (145)
79	PF O&M-Remove certain test year expenses-DEC		(271) [3]	(271)		(271)	O&M Excl Fuel & PP	33.90 [2]	33.90 (25)
80	PF O&M-Settlement adjustment to remove certain items		(4,272) [3]	(4,272)		(4,272)	O&M Excl Fuel & PP	33.90 [2]	33.90 (397)
81	PF O&M-Storm Normalization		1,610 [3]	1,610		1,610	O&M Excl Fuel & PP	33.90 [2]	33.90 150
82	Rounding - O&M		(0)	(0)		(0)	Total O&M	30.71 [2]	30.71 (0)
83	Operation & Maintenance Expense - Adjustments (Sum Lines 59-82)	0	(212,301)	(212,301)		1,163,638			
84									
85	Total Adjusted Operation & Maintenance Expense (L52 + L83)	1,375,939	(212,301) [4]	1,163,638 [3]	0	1,163,638	33.90 [8]	(0.17) [9]	33.73 [8] \$ 107,540
86									
87	Depreciation and Amortization	838,805 [1]		838,805			0.00 [1]		0.00 -
88	PF D&A-Adjust for costs recovered through non-fuel riders		(3,045) [3]	(3,045)				0.00 [2]	0.00 -
89	PF D&A-Annualize depreciation on year end plant balances		59,052 [3]	59,052				0.00 [2]	0.00 -
90	PF D&A-Adjust Depreciation for new rates		72,915 [3]	72,915				0.00 [2]	0.00 -
91	PF D&A-Adjust for post test year additions to plant in service		75,055 [3]	75,055				0.00 [2]	0.00 -
92	PF D&A-Update fuel costs to proposed rate		0 [3]	0				0.00 [2]	0.00 -
93	PF D&A-Adjust reserve for end of life coal plant inventory		0 [3]	0				0.00 [2]	0.00 -
94	PF D&A-Adjust reserve for end of life nuclear costs		(1,808) [3]	(1,808)				0.00 [2]	0.00 -
95	PF D&A-Adjust for approved regulatory assets and liabilities		62,706 [3]	62,706				0.00 [2]	0.00 -
96	PF D&A-Amortize deferred environmental costs		93,944 [3]	93,944				0.00 [2]	0.00 -
97	PF D&A-Adjust for Meger Related Costs		(56) [3]	(56)				0.00 [2]	0.00 -
98	PF D&A-Update deferred balance and amortize storm costs		(409) [3]	(409)				0.00 [2]	0.00 -
99	PF D&A-Adjust for Hydro Stations Sale		1,809 [3]	1,809				0.00 [2]	0.00 -
100	Rounding - D&A		0	0				0.00 [2]	0.00 -
101	Depreciation and Amortization - Adjustments (Sum Lines 88 through 100)	0	360,163	360,163					
102									
103	Total Adjusted Depreciation and Amortization (L87 + L101)	838,804,844	360,163 [4]	1,198,967.69 [3]	0	1,198,968	0.00 [8]	0.00 [9]	0.00 [8] \$ -
104									
105	Other taxes - NC property tax	80,657 [1]		80,657			Other taxes - NC prop	186.50 [1]	186.50 41,212
106	Other taxes - SC property tax	81,208		81,208			Other taxes - SC prop	196.50	196.50 43,719
107	Other taxes - federal payroll taxes	34,411		34,411			Other taxes - federal	51.17	51.17 4,824
108	Other taxes	(1,594)		(1,594)			Other taxes	21.04	21.04 (92)
109	PF GEN TAX-Annualize property taxes on year end plant balances		7,470 [3]	7,470			Other taxes - NC property tax	186.50 [2]	186.50 3,817
110	PF GEN TAX-Adjust for post test year additions to plant in service		11,276 [3]	11,276			Other taxes - NC property tax	186.50 [2]	186.50 5,761
111	PF GEN TAX-Adjust for approved regulatory assets and liabilities		56 [3]	56			Taxes Other Than Income	168.11 [2]	168.11 26
112	PF GEN TAX-Normalize O&M labor expenses		(1,023) [3]	(1,023)			Other taxes - federal payroll taxes	51.17 [2]	51.17 (143)
113	PF GEN TAX-Adjust for costs recovered through non-fuel riders		(10) [3]	(10)			Taxes Other Than Income	168.11 [2]	168.11 (5)
114	PF GEN TAX-Adjust for Meger Related Costs		(73) [3]	(73)			Taxes Other Than Income	168.11 [2]	168.11 (34)
115	PF GEN TAX-Adjust aviation expenses		(27) [3]	(27)			Taxes Other Than Income	168.11 [2]	168.11 (13)
116	PF GEN TAX-Adjust for Hydro Stations Sale		(193) [3]	(193)			Other taxes	21.04 [2]	21.04 (11)
117	Rounding - General Taxes		(0)	(0)			Taxes Other Than Income	168.11 [2]	168.11 (0)
118	General Taxes - Adjustments (Sum Lines 109 through 117)	0	17,475	17,475					
119									
120	Total Adjusted General Tax (L105 + L118)	194,681	17,475 [4]	212,156 [3]	0	212,156	168.11 [8]	2.32 [9]	170.43 [8] \$ 99,062
121									
122	Interest on Customer Deposits	7,130 [1]		7,130			218.40 [1]		218.40 4,266
123	Interest on Customer Deposits - Adjustments			0					
124									
125	Total Adjusted Interest on Customer Deposits (L122 + L123)	7,130	0 [4]	7,130 [3]	0	7,130	218.40 [8]	(0.01) [9]	218.39 [8] \$ 4,266
126									
127	Current state and federal income tax	2,397 [1]		2,397			44.75 [1]		44.75 294
128	Deferred income taxes	222,600		222,600			0.00		0.00 -
129	PF INC TAX-Adjust Income Taxes		(58,207) [3]	(58,207)				0.48 [2]	0.48 (76)
130	PF INC TAX-Adjust for costs recovered through non-fuel riders		16,763 [3]	16,763				0.00 [2]	0.00 -
131	PF INC TAX-Adjust NC income taxes for rate change		(2,707) [3]	(2,707)				0.48 [2]	0.48 (4)
132	PF INC TAX-Synchronize interest expense with end of period rate base		(1,013) [3]	(1,013)				0.48 [2]	0.48 (1)
133	Rounding - Income Taxes		0	0				0.48 [2]	0.48 0
134	Income Taxes - Adjustments (Sum Lines 129 through 133)	0	(45,163)	(45,163)					
135									
136	Total Adjusted Income Taxes (L127 + L134)	224,997	(45,163) [4]	179,834 [3]	1 [6]	179,835	0.48 [8]	(0.04) [9]	0.43 [8] \$ 213
137									
138	EDIT Amortization								

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For the test period ended December 31, 2018
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Cash Working Capital for Present Revenue

Line No.	Description	NC Retail					Lead Lag Days		
		Financials	Adjusted Before Change in CWC		Change in CWC	Adjusted with CWC	Per Books	Adjusted Before Increase	
		(a)	(b)	(c)=(a)+(b)	(d)	(e)=(c)+(d)	(f)	(g)	(h)=(f)+(g)
139	PF EDIT-Amortize Protected EDIT		(29,734) [3]	(29,734)				0.00 [2]	0.00
140	Rounding - EDIT Amort		(0)	(0)				0.00 [2]	0.00
141	EDIT Amortization - Adjustments (Sum Lines 142:143)	0	(29,734)	(29,734)					
142									
143	Total Adjusted EDIT Amortization (L138 + L141)	0	(29,734) [4]	(29,734) [3]	0	(29,734)	0.00 [8]	0.00 [9]	0.00 [8]
140									
141	Amortization of Investment Tax Credit	(3,526) [1]		(3,526)			0.00 [1]		0.00
142	PF ITC-Annualize depreciation on year end plant balances		690 [3]	690				0.00 [2]	0.00
143	Rounding - ITC		(0)	(0)				0.00 [2]	0.00
144	Amort. of Investment Tax Credit - Adjustments (Sum Lines 142:143)	0	690	690					
145									
146	Total Adjusted Amortization of Investment Tax Credit (L141 + L144)	(3,526)	690 [4]	(2,836) [3]	0	(2,836)	0.00 [8]	0.00 [9]	0.00 [8]
147									
148	Total Operating Expense (L41+L50+L85+L103+L120+L125+L136+L146)	3,821,748	90,370	3,912,119	1	3,912,120	29.57 [8]	(2.44) [9]	27.13 [8]
149									
150	Income for Return (L30 - L148)	1,082,336	(204,803)	877,532	(1)	877,531	24.97 [8]	6.25 [9]	31.22 [8]
151	Interest Expense	317,199 [2]	4,338 [4]	321,536 [5]	(2) [5]	321,534	85.20 [2]	0.00 [9]	85.20 [2]
152	Return for Equity (L150 - L151)	765,137	(209,141)	555,996	1	555,997	0.00 [2]	0.00 [9]	0.00 [2]
153									
154	Total Requirement (L148 + L150 = L30)	4,904,084		4,789,651		4,789,651	28.55 [8]	(0.67) [9]	27.88 [8]
155									
156	RATE BASE	14,556,650 [3]	1,390,201 [4]	15,946,851 [3]	(114) [7]	15,946,737			
157									
158									
159									
160	Calculation of Change in Cash Working Capital (CWC) due to Adjustments	Per Books	Change in CWC	Adjusted					
161	Annual Requirement	4,904,084		4,789,651					
162	Daily Requirement (L140 / 365 Days)	13,436		13,122					
163	Net Lag Days (L138, Rounded Per Books)	11.54		11.81					
164	Est. CWC Req. Before Sales Tax Requirement (L141 x L142)	155,064		154,950					
165	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]					
166									
167	Total Cash Working Capital Requirements (L164 + L165)	161,268	(114) [4]	161,154					
168									
169	Revenue Lag Days (Per Line 47, Columns (f) & (h))	40.09		39.6869					
170	Requirement Lead Days (Per Line 159, Columns (f) & (h))	28.55		27.8788					
171									
172	Net Lag Days (L169 - L170)	11.54		11.81					

Notes:

- [1] Columns (a) and (f) match Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Summary
[2] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Study
[3] Exhibit C in Docket E-7, Sub 1214
[4] Column (b) = Column (c) - Column (a)
[5] Line 156 x Debt Rate: 4.29% and Debt Ratio: 47%
[6] Interest Expense: - L151 x Tax Rate: 23.3503%
[7] Line 167, Column (b)
[8] New weighted averages calculated.
[9] Column (g) = Column (h) - Column (f)

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E-1 Item 14

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

Line No	Description	Actual Annual Expense [A]	Lead (Lag) Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag		40.09	
2				
3	Operation & Maintenance Expense	\$ 2,559,661	30.71	\$ 78,598,072
4	Depreciation and Amortization	838,805	0.000	-
5	Taxes Other Than Income Taxes	194,681	168.11	32,727,032
6	Interest on Customer Deposits	7,130	218.40	1,557,121
7	Net Income Taxes	224,997	0.48	107,266
8	ITC	(3,526)	0.00	-
9	Income for Return	1,082,336	24.97	27,025,317
10	Total Requirements (Sum L3 through L9)	<u>\$ 4,904,084</u>	28.55	<u>\$ 140,014,807</u>
11				
12	Revenue Lag Days (L1)		40.09	
13	Requirements Lead Days (-L10)		-28.55	
14	Net Lag Days (L12 + L13)		<u>11.54</u>	
15	Daily Requirements (Line 10, Col. A divided by 365)			\$ 13,436
16				
17	Estimated Cash Working Capital Requirements (L14 x L15)			\$ 155,064
18	Add: Cash Working Capital Related to NC Sales Tax			6,204
19	Total Cash Working Capital Requirements (L17 + L18)			<u>\$ 161,268</u>
20				
21	Calculation of Total Company and Jurisdictional Amounts:			
22	NC Retail Factor "All - Rate Base x CWC" Allocation Factor			68.1442%
23				
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 236,657
25				
26	NC Retail Factor			68.1442%
27	SC Retail Factor			23.4945%
28	NC Wholesale Factor			4.6385%
29	SC Wholesale Factor			3.6759%
30	Other			0.0469%
31	Total (Sum L26 through L29)			<u>100.0000%</u>
32				
33	NC Retail Cash Working Capital Requirement (L24 x L26)			\$ 161,267.787
34	SC Retail Cash Working Capital Requirement (L24 x L27)			55,601.207
35	NC Wholesale Cash Working Capital Requirement (L24 x L28)			10,977.210
36	SC Wholesale Cash Working Capital Requirement (L24 x L29)			8,699.225
37	Other Cash Working Capital Requirement (L25 x L30)			111.093
38	Total Company Cash Working Capital Requirement (Sum L33 through L37)			<u>\$ 236,656.522</u>

Duke Energy Carolinas, LLC

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Adjust cash working capital for present revenue annualized and proposed revenue

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For the test period ended December 31, 2018

Line No	Description	Rate	Ratio	Weighted
1	Debt	4.2900% [1]	47.0000% [1]	2.0163% [2]
2	Equity	10.3000% [1]	53.0000% [1]	5.4590% [3]
3	Total ROR (L1 + L2)			7.4753%
4				
5	Statutory tax rate	23.3503% [4]		
6	Statutory regulatory fee percentage rate	0.12967% [5]		
7	Uncollectibles	0.25010% [6]		

Notes:

[1] Docket No. E-7, Sub 1214, McManeus Exhibit 1, Page 2

[2] Debt Rate x Debt Ratio

[3] ROE x Equity Ratio

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

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

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

McManeus Second Supplemental Exhibit 1

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018

NC-2900
Narrative
May - Second Supplemental

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts depreciation and amortization, and income taxes for the amortization of the deferred storm expenses related to Hurricanes Florence and Michael and Winter Storm Diego (E-7 Sub 1187).

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

September Update

NC-2905 Line 5 corrected Allocation factor and updated figures with Actual final figures.

NC-2902 Corrected depreciation to be calculated on a one month lag. Updated Depreciation rates to reflect rates as of 12/31/2018.

October update

NC-2905 - Updated Storm costs per latest actuals

November update

NC-2905 - Updated Storm costs per latest actuals

December update

NC-2905 - Updated Storm costs per latest actuals

January Supplemental

NC-2905 - Updated Storm costs per latest actuals

NC-2902 - Updated monthly distribution assets/plant balance to reflect actual date in Power Plant and not date of storm
NC-2902, NC-2903 and NC-2904 - updated composite depreciation rate to exclude AMR meters, which had not been captured in previous versions

January Supplemental

Corrected amount on NV-2905 Line 2

Supplemental Rebuttal

Per settlement agreement and stipulation, removing storm deferral request from the base rate request.

May Second Supplemental

Updating the removal of storm related accumulated depreciation to reflect the balance as of May 2020.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

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May - Second Supplemental

Line No.	Description	Source	Total NC Retail May - Second Supplemental	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance		-	-	-	-
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense		-	-	-	-
11	Depreciation and amortization	NC-2901	(409)	(409)	24,179	(24,588)
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-2901	96	96	(5,646)	5,741
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(314)	(314)	18,533	(18,846)
18						
19	Operating income	L4 - L17	\$ 314	\$ 314	\$ (18,533)	\$ 18,846
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ (18,575)	\$ (18,575)	\$ -	\$ (18,575)
29	Accumulated depreciation and amortization		578	442	-	578
30	Electric plant in service, net	L28 + L29	\$ (17,997)	\$ (18,133)	\$ -	\$ (17,997)
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment	NC-2901	-	-	169,251	(169,251)
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes	NC-2901	-	-	(39,520)	39,520
39	Operating reserves		-	-	-	-
40			-	-	-	-
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ (17,997)	\$ (18,133)	\$ 129,730	\$ (147,727)
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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Line No.	Month	Cumulative Deferred Storm Costs Balance			
		Distribution	Transmission	Production	Total
1	<u>Impact to Income Statement Line Items</u>				
2	Projected ending balance at July 31, 2020	\$ 188,578 [1]	\$ 6,587 [2]	\$ - [3]	\$ 195,165
3	Years to amortize	8	8	8	
4	Impact to depreciation and amortization (L2 / L3)	\$ 23,572	\$ 823	\$ -	\$ 24,396
5					
6	Remove storm deferral costs from rate case (-L4)	\$ (23,572)	\$ (823)	\$ -	\$ (24,396)
7					
8	Remove storm assets from base rates	\$ (409) [5]	\$ - [5]	\$ - [5]	\$ (409)
9	Impact to depreciation and amortization expense (L4 + L6 + L8)	\$ (409)	\$ -	\$ -	\$ (409)
10					
11	Statutory tax rate	23.3503% [4]	23.3503%	23.3503%	
12	Impact to income taxes ((-L9) x L11)	\$ 96	\$ -	\$ -	\$ 96
13					
14	Impact to operating income (-L9 - L12)	\$ 314	\$ -	\$ -	\$ 314
15					
16	<u>Impact to Rate Base Line Items</u>				
17	Impact to electric plant in service to remove storm assets from base rates	\$ (18,575) [5]	\$ - [5]	\$ - [5]	\$ (18,575)
18					
19	Impact to accumulated depreciation to remove storm assets from base rates	578 [5]	- [5]	- [5]	578
20					
21	Impact to net plant (L17 + L19)	\$ (17,997)	\$ -	\$ -	\$ (17,997)
22					
23	Projected July 31, 2020 storm deferral balance for rate base (L2)	\$ 188,578	\$ 6,587	\$ -	\$ 195,165
24	Less: 1st year storm deferral amortization (-L4)	(23,572)	(823)	-	(24,396)
25	Projected storm deferral balance for rate base (L23 + L24)	\$ 165,005	\$ 5,764	\$ -	\$ 170,769
26					
27	Remove storm deferral costs from rate case (-L25)	\$ (165,005)	\$ (5,764)	\$ -	\$ (170,769)
28					
29	Impact to working capital investment (L25 + L27)	\$ -	\$ -	\$ -	\$ -
30					
31	Deferred tax rate	23.3503%	23.3503%	23.3503%	
32	Impact to accumulated deferred income taxes (L30)	\$ -	\$ -	\$ -	\$ -
33					
34	Impact to rate base (L21 + L29 + L32)	\$ (17,997)	\$ -	\$ -	\$ (17,997)

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

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

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

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

[5] NC-2906 - NC Storm Cost Asset impacts as of January 2020

McManeus Second Supplemental Exhibit 1

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Projected Storm Deferral Balance-Distribution

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	49,230.09	34.64	105.60	49,370	49,370
2	October 31, 2018	-	-	-	-	-	-	-	71,628	120	365	72,113	121,483
3	November 30, 2018	-	-	-	-	-	-	-	-	171	521	692	122,175
4	December 31, 2018	19,081	-	-	19,081	18	53	-	43,163	202	617	44,053	166,229
5	January 31, 2019	17,905	35	(35)	17,870	34	103	35	-	234	713	1,120	167,349
6	February 28, 2019	18,575	33	(68)	18,507	33	102	33	-	236	718	1,122	168,471
7	March 31, 2019	18,575	34	(102)	18,473	34	103	34	-	237	723	1,132	169,602
8	April 30, 2019	18,575	34	(136)	18,439	34	103	34	-	239	728	1,138	170,740
9	May 31, 2019	18,575	34	(170)	18,405	34	103	34	-	240	733	1,144	171,885
10	June 30, 2019	18,575	34	(204)	18,371	34	103	34	-	242	738	1,150	173,035
11	July 31, 2019	18,575	34	(238)	18,337	34	103	34	-	244	743	1,157	174,192
12	August 31, 2019	18,575	34	(272)	18,303	34	103	34	-	245	748	1,163	175,355
13	September 30, 2019	18,575	34	(306)	18,269	34	102	34	-	247	753	1,169	176,524
14	October 31, 2019	18,575	34	(340)	18,235	34	102	34	-	249	758	1,176	177,700
15	November 30, 2019	18,575	34	(374)	18,201	33	102	34	-	250	763	1,182	178,883
16	December 31, 2019	18,575	34	(408)	18,167	33	102	34	-	252	768	1,189	180,071
17	January 31, 2020	18,575	34	(442)	18,133	33	102	34	-	254	773	1,195	181,267
18	February 29, 2020	18,575	34	(476)	18,099	33	101	34	-	255	778	1,202	182,469
19	March 31, 2020	18,575	34	(510)	18,065	33	101	34	-	257	783	1,208	183,677
20	April 30, 2020	18,575	34	(544)	18,031	33	101	34	-	259	788	1,215	184,892
21	May 31, 2020	18,575	34	(578)	17,997	33	101	34	-	260	794	1,222	186,114
22	June 30, 2020	18,575	34	(612)	17,963	33	101	34	-	262	799	1,228	187,342
23	July 31, 2020	18,575	34	(646)	17,929	33	100	34	-	264	804	1,235	188,578
24	Total Costs Through July 31, 2020					653	1,992	646	164,021	5,253	16,012	188,578	

Docket No. E-7, Sub 1146
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
25 Long-Term Debt	48.00%	4.59%	2.20%		2.20%	1.69%
26 Common Equity	52.00%	9.90%	5.15%	23.3503%	6.72%	5.15%
27 Total		14.49%	7.35%		8.92%	6.84%

Depreciation Rates

28 Book Depr Rate - Distribution	2.20% [2]
29 Book Depr Rate - Transmission	2.05% [2]
30 Book Depr Rate - Production	3.21% [2]

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

[2] NC-2602 - Current Depreciation Rates

McManeus Second Supplemental Exhibit 1

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Projected Storm Deferral Balance-Transmission

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	4,463	3	10	4,476	4,476
2	October 31, 2018	-	-	-	-	-	-	-	940	7	21	968	5,444
3	November 30, 2018	-	-	-	-	-	-	-	-	8	23	31	5,475
4	December 31, 2018	-	-	-	-	-	-	-	406	8	24	439	5,913
5	January 31, 2019	-	-	-	-	-	-	-	-	8	25	34	5,947
6	February 28, 2019	-	-	-	-	-	-	-	-	8	26	34	5,981
7	March 31, 2019	-	-	-	-	-	-	-	-	8	26	34	6,015
8	April 30, 2019	-	-	-	-	-	-	-	-	8	26	34	6,049
9	May 31, 2019	-	-	-	-	-	-	-	-	9	26	34	6,084
10	June 30, 2019	-	-	-	-	-	-	-	-	9	26	35	6,118
11	July 31, 2019	-	-	-	-	-	-	-	-	9	26	35	6,153
12	August 31, 2019	-	-	-	-	-	-	-	-	9	26	35	6,188
13	September 30, 2019	-	-	-	-	-	-	-	-	9	27	35	6,224
14	October 31, 2019	-	-	-	-	-	-	-	-	9	27	35	6,259
15	November 30, 2019	-	-	-	-	-	-	-	-	9	27	36	6,295
16	December 31, 2019	-	-	-	-	-	-	-	-	9	27	36	6,331
17	January 31, 2020	-	-	-	-	-	-	-	-	9	27	36	6,367
18	February 29, 2020	-	-	-	-	-	-	-	-	9	27	36	6,403
19	March 31, 2020	-	-	-	-	-	-	-	-	9	27	36	6,439
20	April 30, 2020	-	-	-	-	-	-	-	-	9	28	37	6,476
21	May 31, 2020	-	-	-	-	-	-	-	-	9	28	37	6,513
22	June 30, 2020	-	-	-	-	-	-	-	-	9	28	37	6,550
23	July 31, 2020	-	-	-	-	-	-	-	-	9	28	37	6,587
24	Total Costs Through July 31, 2020					-	-	-	5,809	192	586	6,587	

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Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
25 Long-Term Debt	48.00%	4.59%	2.20%		2.20%	1.69%
26 Common Equity	52.00%	9.90%	5.15%	23.3503%	6.72%	5.15%
27 Total		<u>14.49%</u>	<u>7.35%</u>		<u>8.92%</u>	<u>6.84%</u>

Depreciation Rates

28 Book Depr Rate - Distribution	2.20% [2]
29 Book Depr Rate - Transmission	2.05% [2]
30 Book Depr Rate - Production	3.21% [2]

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

McManeus Second Supplemental Exhibit 1

Duke Energy Carolinas, LLC
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Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

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Projected Storm Deferral Balance-Production

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-
2	October 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
3	November 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-
4	December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
5	January 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
6	February 28, 2019	-	-	-	-	-	-	-	-	-	-	-	-
7	March 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
8	April 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
9	May 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
10	June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
11	July 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
12	August 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
13	September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
14	October 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
15	November 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
16	December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
17	January 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
18	February 29, 2020	-	-	-	-	-	-	-	-	-	-	-	-
19	March 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
20	April 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-
21	May 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
22	June 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-
23	July 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
24	Total Costs Through July 31, 2020					-	-	-	-	-	-	-	

Docket No. E-7, Sub 1146
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
25 Long-Term Debt	48.00%	4.59%	2.20%		2.20%	1.69%
26 Common Equity	52.00%	9.90%	5.15%	23.3503%	6.72%	5.15%
27 Total		14.49%	7.35%		8.92%	6.84%

Depreciation Rates

28 Book Depr Rate - Distribution	2.20% [2]
29 Book Depr Rate - Transmission	2.05% [2]
30 Book Depr Rate - Production	3.21% [2]

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

[2] NC-2602 - Current Depreciation Rates

McManeus Second Supplemental Exhibit 1

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NC Storm Cost Data as of January 2020

Line No.	Description	Hurricane Florence - Sep 2018			Hurricane Michael - Oct 2018			Winter Storm Diego - Dec 2018		
		System	Allocator	NC Retail	System	Allocator	NC Retail	System	Allocator	NC Retail
1	Distr-O&M	81,468	Direct	71,141	78,875	Direct	71,628	54,935	Direct	43,163
2	Deductible			(21,911) [2]						
3	Distr-Capital	5,407	Direct	3,603	11,344	Direct	10,701	6,821	Direct	4,272
4										
5	Trans-O&M	8,475	53%	4,463 [1]	1,785	53%	940 [1]	772	53%	406 [1]
6	Trans-Capital									
7										
8	Prod-O&M									
9	Prod-Capital									

[1] Transmission Demand Allocator

[2] Storm normalization adjustment

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For the test period ended December 31, 2018
(Dollars in thousands)

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NC Storm Cost Asset impacts as of January 2020

Line No.	Description	Plant in Service 1/31/2020	Proposed Rate	Proposed Calculated Annual Accrual
1	<u>Impact to Income Statement Line Items</u>			
2	<u>Depreciation and amortization:</u>			
3	Distribution - storm assets	\$ 18,575 [1]	2.20% [4]	\$ 409
4	Transmission - storm assets	- [2]	2.23% [5]	-
5	Production - storm assets	- [3]	3.70% [5]	-
6	Impact to depreciation and amortization to remove storm assets from base rates (L3 through L5)			<u>\$ (409)</u>
7				
8	Taxable income (-L6)			\$ 409
9	Statutory tax rate			23.3503% [7]
10	Impact to income taxes to remove storm assets from base rates (L8 * L9)			<u>\$ 96</u>
11				
12	Impact to operating income to remove storm assets from base rates (L8 - L10)			<u>\$ 314</u>
13				
14		Balances at 1/31/2020		Adjustment Amount
15	<u>Impact to Rate Base Line Items</u>			
16	<u>Electric Plant in Service:</u>			
17	Distribution - storm assets (L3)	\$ 18,575		\$ (18,575)
18	Transmission - storm assets (L4)	-		-
19	Production - storm assets (L5)	-		-
20	Impact to electric plant in service to remove assets from base rates (L17 through L19)			<u>\$ (18,575)</u>
21				
22	<u>Accumulated Depreciation:</u>			
23	Distribution - storm assets	\$ (578) [1]		\$ 578
24	Transmission - storm assets	- [2]		-
25	Production - storm assets	- [3]		-
26	Impact to accumulated depreciation to remove assets from base rates (L23 through L25)			<u>\$ 578</u>
27				
28	<u>Net electric plant:</u>			
29	Distribution - storm assets (L17 + L23)			\$ (17,997)
30	Transmission - storm assets (L18 + L24)			-
31	Production - storm assets (L19 + L25)			-
32	Impact to net plant to remove storm assets from base rates (L29 through L31)			<u>\$ (17,997)</u>
33				
34	Impact to rate base to remove storm assets from base rates (L32)			<u>\$ (17,997)</u>

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

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

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

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

[5] Proposed 2018 Depreciation study

[6] NC-1001 - Adjust for post test year additions, line 69

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

DUKE ENERGY CAROLINAS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 7,273,365	\$ 4,904,084	\$ (114,433)	\$ 4,789,651	\$ 340,598	\$ 5,130,249
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,504,692	989,374	170,177	1,159,551	-	1,159,551
3	Purchased power	317,798	194,348	(170,936)	23,412	-	23,412
4	Other operation and maintenance expense	2,029,601	1,375,939	(212,301)	1,163,638	1,293	1,164,932
5	Depreciation and amortization	1,193,762	838,805	360,163	1,198,968	-	1,198,968
6	General taxes	291,829	194,681	17,475	212,156	-	212,156
7	Interest on customer deposits	8,169 (b)	7,130	-	7,130	-	7,130
8	Net income taxes	340,714	224,997	(46,753)	178,244	79,053	257,297
9	EDIT Amortization			(29,734)	(29,734)		(29,734)
10	Amortization of investment tax credit	(5,259)	(3,526)	690	(2,836)	-	(2,836)
11	Total electric operating expenses	5,681,305	3,821,748	88,781	3,910,529	80,346	3,990,876
12	Operating income	\$ 1,592,059	\$ 1,082,336	\$ (203,214)	\$ 879,122	\$ 260,252	\$ 1,139,373
13	Original cost rate base (e)	\$ 21,361,527	\$ 14,556,650	\$ 1,388,493 (d)	\$ 15,945,143	\$ 36,643 (f)	\$ 15,981,785
14	Rate of return on North Carolina retail rate base		7.44%		5.51%		7.13%

Notes: (a) From Form E-1 Item 45A

(b) Reclassifies interest on customer deposits to electric operating expense.

(c) From Page 3, Line 35.

(d) From Page 4, Line 9.

(e) From Page 2.

(f) Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY CAROLINAS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 10,993,064	48.00%	\$ 7,653,669	4.29%	\$ 328,342	\$ 7,671,257	4.29%	\$ 329,097
2	Members' equity (a)	11,682,367	52.00%	8,291,474	6.64%	550,779	8,310,528	9.75%	810,277
3	Total	<u>\$ 22,675,431</u>	<u>100.00%</u>	<u>\$ 15,945,143</u> (b)		<u>\$ 879,122</u> (c)	<u>\$ 15,981,785</u> (b)		<u>\$ 1,139,373</u>
4	Operating income before increase (Line 3, Column 5)								879,122
5	Additional operating income required (Line 3 minus Line 4)								260,252
6	Calculate income tax on incremental interest expense due to increase in cash working capital in proposed revenue								(176)
7	Regulatory fee (.12967%), uncollectibles rate (.2501%) and income taxes (23.3503%)								80,522
8	Additional revenue requirement								<u>\$ 340,598</u>

Notes: (a) The equivalent of common equity for a limited liability company.
(b) From Page 1, Line 12, Column 4 and Column 6.
(c) From Page 1, Line 11, Column 4.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	EDIT Amortization	Amortization of ITC (Col. 8)	Operating Income
1	Annualize retail revenues for current rates	\$ (110,407)	\$ -	\$ -	\$ (826)	\$ -	\$ -	\$ (25,588)		\$ -	(83,994)
2	Update fuel costs to proposed rate	-	209,105	(169,854)	(21,892)	(3,277)	-	(3,288)		-	(10,794)
2E	Update fuel costs to proposed rate	-	-	-	-	3,277	-	(765)		-	(2,512)
3	Normalize for weather	(109,566)	(26,163)	-	(416)	-	-	(19,378)		-	(63,609)
3F	Normalize for weather - Supplemental	12,757	1,138	-	48	-	-	2,702		-	8,869
4	* Annualize revenues for customer growth	9,942	2,775	-	39	-	-	1,664		-	5,464
4H	Annualize revenues for customer growth - Second Supplemental	15,470	185	-	2,103	-	-	3,078		-	10,104
5	Eliminate unbilled revenues	26,204	-	-	-	-	-	6,119		-	20,085
6	Adjust for costs recovered through non-fuel riders	50,669	(16,862)	(1,082)	(117,348)	(3,071)	(10)	60,905		-	128,138
6F	Adjust for costs recovered through non-fuel riders - Supplemental	-	-	-	(24)	27	-	(1)		-	(2)
7	Adjust O&M for executive compensation	-	-	-	(3,301)	-	-	771		-	2,530
7G	Adjust O&M for executive compensation - Supplemental Rebuttal	-	-	-	(222)	-	-	52		-	170
8	Annualize depreciation on year end plant balances	-	-	-	-	59,172	-	(13,817)		690	(46,045)
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	(121)	-	28		-	92
9	Annualize property taxes on year end plant balances	-	-	-	-	-	7,469.73	(1,744)		-	(5,726)
10	* Adjust for post test year additions to plant in service	-	-	-	-	50,629	6,771	(13,403)		-	(43,998)
10H	Adjust for post test year additions to plant in service - Second Supplemental	-	-	-	-	24,426	4,504	(6,755)		-	(22,175)
11	* Amortize deferred environmental costs	-	-	-	-	95,913	-	(22,396)		-	(73,517)
11E	Adjust deferred environmental - Supplemental	-	-	-	-	(1,970)	-	460		-	1,510
12	Annualize O&M non-labor expenses	-	-	-	2,631	-	-	(614)		-	(2,017)
12H	Adjust non-labor expenses - Second Supplemental	-	-	-	1,941	-	-	(453)		-	(1,488)
13	* Normalize O&M labor expenses	-	-	-	(23,765)	-	(1,162)	5,820		-	19,106
13H	Adjust Normalization O&M Labor Expenses - Second Supplemental	-	-	-	(4,363)	-	138	987		-	3,238
14	Update benefits costs	-	-	-	(1,433)	-	-	335		-	1,099
14E	Update benefits costs	-	-	-	(2,126)	-	-	496		-	1,630
15	* Levelize nuclear refueling outage costs	-	-	-	(2,138)	-	-	499		-	1,639
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	192	-	-	(45)		-	(147)
16	* Amortize rate case costs	-	-	-	801	-	-	(187)		-	(614)
16G	Adjust Amortize Rate Case costs - Supplemental Rebuttal	-	-	-	-	-	-	-		-	-
17	Adjust aviation expenses	-	-	-	(1,986)	-	(27)	470		-	1,543
17G	Adjust aviation expenses - Supplemental Rebuttal	-	-	-	(318)	-	-	74		-	244
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,408	62,706	56	(14,984)		-	(49,187)
19	Adjust for Merger Related Costs	-	-	-	(5,530)	(21)	(73)	1,313		-	4,311
19H	Adjust Merger related Costs - Second Supplemental	-	-	-	-	(35)	-	8		-	27

Duke Energy Carolinas, LLC
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DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	EDIT Amortization	Amortization of ITC (Col. 8)	Operating Income
20	* Amortize Severance Costs	-	-	-	(46,208)	-	-	10,790	-	-	35,418
20G	Adjust amortization of Severance Costs - Supplemental Rebuttal	-	-	-	(1,255)	-	-	293	-	-	962
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	(2,707)	-	-	2,707
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(2,580)	-	-	2,580
22I	Adjust Synchronize Interest Expense - Second Supplemental	-	-	-	-	-	-	(31)	-	-	31
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	-	-	-	103	-	-	(103)
23I	Adjust Cash Working Capital - Second Supplemental	-	-	-	-	-	-	(95)	-	-	95
24	Adjust coal inventory	-	-	-	-	-	-	-	-	-	-
25	* Adjust for credit card fees	-	-	-	8,774	-	-	(2,049)	-	-	(6,725)
25F	Adjust Credit Card Fees - Supplemental	-	-	-	202	-	-	(47)	-	-	(155)
26	* Adjust Depreciation for new rates	-	-	-	-	72,133	-	(16,843)	-	-	(55,290)
26E	Adjust Depreciation for new rates - Supplemental	-	-	-	-	781	-	(182)	-	-	(599)
27	Adjust vegetation management expenses	-	-	-	7,739	-	-	(1,807)	-	-	(5,932)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(1,808)	-	422	-	-	1,386
29	* Update deferred balance and amortize storm costs	-	-	-	-	24,179	-	(5,646)	-	-	(18,533)
29H	Remove storm costs for securitization - Second Supplemental	-	-	-	-	(24,588)	-	5,741	-	-	18,846
30	Adjust Other Revenue	(9,502)	-	-	(36)	-	-	(2,210)	-	-	(7,256)
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	(500)	-	-	117	-	-	383
32	* Adjust for Hydro Stations Sale	-	-	-	(1,560)	1,773	(193)	(5)	-	-	(16)
32E	Adjust for Hydro Stations Sale - Supplemental	-	-	-	-	36	-	(8)	-	-	(27)
33D	Correct Lead Lag Per Books	-	-	-	-	-	-	-	-	-	-
34F	Remove Certain Test Period Expenses - Rebuttal	-	-	-	(271)	-	-	63	-	-	208
35G	Amortize Protected EDIT - Supplemental Rebuttal	-	-	-	-	-	-	6,943	(29,734)	-	22,791
36G	Settlement adjustment to remove certain items Supplemental Rebuttal	-	-	-	(4,272)	-	-	997	-	-	3,274
37G	Storm Normalization - Supplemental Rebuttal	-	-	-	1,610	-	-	(376)	-	-	(1,234)
35	Total adjustments - Original Filing	\$ (142,660)	\$ 168,854	\$ (170,936)	\$ (205,547)	\$ 358,330	\$ 12,832	\$ (59,918)	\$ -	\$ 690	\$ (246,966)
35I	Changes in Second Supplemental -S	28,227	1,323	-	(6,754)	1,833	4,642	13,165	(29,734)	-	43,752
	Total Adjustments	\$ (114,433)	\$ 170,177	\$ (170,936)	\$ (212,301)	\$ 360,163	\$ 17,475	\$ (46,753)	\$ (29,734)	\$ 690	\$ (203,214)

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

Duke Energy Carolinas, LLC
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DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	\$ 109,999	-	109,999
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	\$ 14,136	-	14,136
2E	Update fuel costs to proposed rate - Supplemental	-	-	-	-	-	-	-	-	\$ 3,289	-	3,289
3	Normalize for weather	-	-	-	-	-	-	-	-	\$ 83,303	-	83,303
3F	Normalize for weather - Supplemental	-	-	-	-	-	-	-	-	\$ (11,615)	0	(11,615)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	\$ (7,155)	-	(7,155)
4H	Annualize revenues for customer growth - Second Supplemental	-	-	-	-	-	-	-	-	\$ (13,233)	-	(13,233)
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	\$ (26,304)	-	(26,304)
6	Adjust for costs recovered through non-fuel riders	(18,328)	4,243	(42,354)	(19,404)	12,472	-	-	(63,371)	\$ (167,811)	(5,518)	(173,328)
6F	Adjust for costs recovered through non-fuel riders - Supplemental	929	(206)	-	(37,184)	-	-	-	(36,462)	\$ 2	(3,175)	(3,172)
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	\$ (3,314)	-	(3,314)
7G	Adjust O&M for executive compensation - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (222)	-	(222)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	\$ 60,301	-	60,301
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	-	-	-	-	\$ (121)	-	(121)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	\$ 7,498	-	7,498
10	* Adjust for post test year additions to plant in service	1,355,958	(619,363)	-	(4,945)	(17,144)	-	-	714,506	\$ 57,620	62,210	119,830
10H	Adjust for post test year additions to plant in service - Second Supplemental	855,724	(210,833)	-	43,220	(26,302)	-	-	661,809	\$ 29,040	57,622	86,663
11	* Amortize deferred environmental costs	-	-	-	383,653	(89,584)	-	-	294,069	\$ 96,279	25,604	121,883
11E	Adjust deferred environmental - Supplemental	-	-	-	(7,879)	1,840	-	-	(6,039)	\$ (1,977)	(526)	(2,503)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	\$ 2,641	-	2,641
12H	Adjust non-labor expenses - Second Supplemental	-	-	-	-	-	-	-	-	\$ 1,948	-	1,948
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	\$ (25,021)	-	(25,021)
13H	Adjust Normalization O&M Labor Expenses - Second Supplemental	-	-	-	-	-	-	-	-	\$ (4,241)	-	(4,241)
14	Update benefits costs	-	-	-	-	-	-	-	-	\$ (1,439)	-	(1,439)
14E	Update benefits costs	-	-	-	-	-	-	-	-	\$ (2,134)	-	(2,134)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	\$ (2,146)	-	(2,146)
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	-	-	-	-	-	\$ 193	-	193
16	* Amortize rate case costs	-	-	-	3,080	(719)	-	-	2,361	\$ 804	206	1,010
16G	Adjust Amortize Rate Case costs - Supplemental Rebuttal	-	-	-	(3,080)	719	-	-	(2,361)	\$ -	(206)	(206)
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	\$ (2,021)	-	(2,021)
17G	Adjust aviation expenses - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (319)	-	(319)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(139,897)	32,666	-	-	(107,231)	\$ 64,415	(9,336)	55,079
19	Adjust for Merger Related Costs	-	338	-	-	-	-	-	338	\$ (5,645)	29	(5,616)
19H	Adjust Merger related Costs - Second Supplemental	(1,577)	107	-	-	-	-	-	(1,469)	\$ (35)	(128)	(163)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
20	* Amortize Severance Costs	-	-	-	46,113	(10,767)	-	-	35,345	\$ (46,384)	3,077	(43,306)
20G	Adjust amortization of Severance Costs - Supplemental Rebuttal	-	-	-	(46,113)	10,767	-	-	(35,345)	\$ (1,260)	(3,077)	(4,337)
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	\$ (3,545)	-	(3,545)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	\$ (3,379)	-	(3,379)
22I	Adjust Synchronize Interest Expense - Second Supplemental	-	-	-	-	-	-	-	-	\$ (40)	-	(40)
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	(20,794)	-	-	-	(20,794)	\$ 135	(1,810)	(1,676)
23I	Adjust Cash Working Capital - Second Supplemental	-	-	-	19,086	-	-	-	19,086	\$ (124)	1,662	1,537
24	Adjust coal inventory	-	-	3,848	-	-	-	-	3,848	\$ -	335	335
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	\$ 8,808	-	8,808
25F	Adjust Credit Card Fees - Supplemental	-	-	-	-	-	-	-	-	\$ 203	-	203
26	* Adjust Depreciation for new rates	-	(72,913)	-	-	-	-	-	(72,913)	\$ 72,408	(6,348)	66,060
26E	Adjust Depreciation for new rates - Supplemental	-	(2)	-	-	-	-	-	(2)	\$ 784	(0)	784
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	\$ 7,768	-	7,768
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	\$ (1,815)	-	(1,815)
29	* Update deferred balance and amortize storm costs	-	-	-	169,251	(39,520)	-	-	129,730	\$ 24,271	11,295	35,566
29H	Remove storm costs for securitization - Second Supplemental	(18,575)	578	-	(169,251)	39,520	-	-	(147,727)	\$ (24,681)	(12,862)	(37,544)
30	Adjust Other Revenue	-	-	-	-	-	-	-	-	\$ 9,502	-	9,502
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	-	-	-	-	-	\$ (502)	-	(502)
32	* Adjust for Hydro Stations Sale	(36,522)	14,093	(146)	19,280	(4,502)	-	-	(7,797)	\$ 20	(679)	(659)
32E	Adjust for Hydro Stations Sale	36,522	(14,093)	-	214	(50)	-	-	22,593	\$ 36	1,967	2,003
33D	Correct Lead Lag Per Books	-	-	-	(16,472)	-	-	-	(16,472)	\$ -	(1,434)	(1,434)
34F	Remove Certain Test Period Expenses	-	-	-	-	-	-	-	-	\$ (272)	-	(272)
35G	Amortize Protected EDIT - Supplemental Rebuttal	-	-	-	29,734	(6,943)	-	-	22,791	\$ (29,847)	1,984	(27,863)
36G	Settlement adjustment to remove certain items Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (4,288)	-	(4,288)
37G	Storm Normalization - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ 1,616	-	1,616
38	Total adjustments - Original Filing	\$ 1,301,107	\$ (673,602)	\$ (38,652)	\$ 436,337	\$ (117,099)	\$ -	\$ -	\$ 908,092	\$ 323,429	\$ 79,066	\$ 402,495
38I	Changes in Second Supplemental -S	873,023	(224,448)	-	(187,726)	19,552	-	-	480,401	\$ (57,298)	41,827	(15,471)
	Total Adjustments	\$ 2,174,130	\$ (898,050)	\$ (38,652)	\$ 248,610	\$ (97,546)	\$ -	\$ -	\$ 1,388,493	\$ 266,131	\$ 120,893	\$ 387,024
Notes:	* Identification required by NCUC Rule R1-17(b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DUKE ENERGY CAROLINAS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 41,057,320	\$ 27,969,103	\$ 2,174,130	\$ 30,143,233
2	Less: Accumulated depreciation and amortization	4b	<u>(15,830,487)</u>	<u>(10,810,668)</u>	<u>(898,050)</u>	<u>(11,708,718)</u>
3	Net electric plant		25,226,833	17,158,435	1,276,081	18,434,515
4	Add: Materials and supplies	4c	994,443	678,077	(38,652)	639,426
5	Working capital investment	4d	(406,979)	(253,955)	248,610	(5,345)
6	Less: Accumulated deferred taxes		(3,824,449)	(2,601,854)	(97,546) (a)	(2,699,400)
7	Operating reserves		(628,321)	(424,053)	-	(424,053)
8	Construction work in progress		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
9	Total		<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 1,388,493</u>	<u>\$ 15,945,143</u>

DUKE ENERGY CAROLINAS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 22,181,205	\$ 14,978,527	\$ 868,572	\$ 15,847,099
2	Transmission Plant	4,052,747	2,179,775	281,942	2,461,717
3	Distribution Plant	12,085,804	8,938,158	848,858	9,787,016
4	General Plant	1,212,985	830,763	121,110	951,873
5	Intangible Plant	<u>986,751</u>	<u>687,541</u>	<u>53,649</u>	<u>741,191</u>
6	Subtotal	40,519,492 (a)	27,614,764	2,174,130	29,788,895
7	Nuclear Fuel (Net)	<u>537,828</u>	<u>354,338</u>	<u>-</u>	<u>354,338</u>
8	Total electric plant in service	<u>\$ 41,057,320</u>	<u>\$ 27,969,103</u>	<u>\$ 2,174,130</u>	<u>\$ 30,143,233</u>

Notes: (a) Excludes asset retirement obligations, electric plant held for future use, and electric plant acquisition adjustments totaling \$642,372 thousand.
(b) Reflects certain plant in service additions/retirements through January 2020, and a reduction for solar electric plant recovered through the REPS rider.

DUKE ENERGY CAROLINAS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DECEMBER 31, 2018
(Thousands of Dollars)

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (8,604,490)	\$ (5,795,067)	\$ (647,308)	\$ (6,442,375)
2	Transmission Reserve	(1,385,391)	(745,942)	(28,119)	(774,061)
3	Distribution Reserve	(4,816,028)	(3,561,642)	(123,998)	(3,685,640)
4	General Reserve	(414,681)	(285,334)	(34,371)	(319,705)
5	Intangible Reserve	<u>(609,897)</u>	<u>(422,682)</u>	<u>(64,254)</u>	<u>(486,936)</u>
6	Total	<u>\$ (15,830,487)</u>	<u>0 \$ (10,810,668)</u>	<u>\$ (898,050)</u>	<u>\$ (11,708,718)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	4.40%			
9	Nuclear production plant	3.60%			
10	Hydro production plant	2.00%			
11	Other production plant	3.21%			
12	Transmission plant	2.23%			
13	Distribution plant	2.28%			
14	General plant	Various			
15	Intangible plant	20.00%			

Notes: (a) Excludes accumulated amortization of electric plant acquisition adjustment and accumulated depreciation related to asset retirement obligations totaling (\$107,345) thousand.
(b) Consists of adjustments to depreciation for year-end plant and certain plant additions/retirements through January 2020.

DUKE ENERGY CAROLINAS, LLC
MATERIALS AND SUPPLIES
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations			As Adjusted (Col. 4)
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)		
	Fuel Stock:					
1	Coal	\$ 175,291	\$ 115,487	\$ 3,848 [a]		\$ 119,336
2	Gas	<u>45,470</u>	<u>29,957</u>	<u>-</u>		<u>29,957</u>
3	Total fuel stock	220,761	145,444	3,848		149,293
4	Other electric materials and supplies and stores clearing	<u>773,682</u>	<u>532,633</u>	<u>(42,500)</u> [b]		<u>490,133</u>
5	Total Materials and Supplies	<u>\$ 994,443</u>	<u>\$ 678,077</u>	<u>\$ (38,652)</u>		<u>\$ 639,426</u>

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

(b) Eliminates (\$42,354) thousand of costs recorded in connection with non-fuel riders and (\$146) related to sale of hydro plants.

DUKE ENERGY CAROLINAS, LLC
WORKING CAPITAL INVESTMENT
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations			Impact of Rev Incr (Col. 5)	With Rev Incr (Col. 6)
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)		
1	Required bank balance	\$ 300	\$ 204	\$ -	\$ 204		\$ 204
2	Investor advanced funds: Operating funds per lead-lag study	260,829	177,740 (a)	(18,180) (b)	159,560	36,643 (c)	196,202
3	Unamortized Debt	114,911	78,306	-	78,306	-	78,306
4	Pension Funding	580,864	394,363	-	394,363	-	394,363
5	Injuries and Damages	705,912	477,557	-	477,557	-	477,557
6	Regulatory Asset and Liability - Tax	(3,338,909)	(2,208,434)	-	(2,208,434)	-	(2,208,434)
7	Other	1,395,698	922,916	266,791	1,189,707	-	1,189,707
8	Total investor advanced funds	(280,695)	(157,552)	248,610	91,058	36,643	127,701
9	Less: customer deposits	(126,585)	(96,608)	-	(96,608)	-	(96,608)
10	Total working capital investment	\$ (406,979)	\$ (253,955)	\$ 248,610	\$ (5,345)	\$ 36,643	\$ 31,298

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

McManeus Second Supplemental Exhibit 1-S

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018

NC-2200
Narrative
May - Second Supplemental-S

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to income taxes is determined as follows:

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

January Update

Recalculated based on December updated figures

January Rebuttal

Recalculated based on changes in other proformas adjustments

Supplemental Rebuttal

Recalculated based on updated figures as a result of the settlement agreement.

May Second Supplemental

Recalculated based on updated figures as a result of the May Second Supplemental updates.

May Second Supplemental-S

Recalculated based on the change in the capital structure to a D/E ratio of 48/52.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2200
Page 1 of 1
May - Second Supplemental-S

Line No.	Description	Source	Total NC Retail May - Second Supplemental- S	Total NC Retail May - Second Supplemental	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1							
2	Pro Formas Impacting Income Statement Line Items						
3							
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -
5							
6	Electric operating expenses:						
7	Operation and maintenance						
8	Fuel used in electric generation		-	-	-	-	-
9	Purchased power		-	-	-	-	-
10	Other operation and maintenance expense		-	-	-	-	-
11	Depreciation and amortization		-	-	-	-	-
12	General taxes		-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-
14	Income taxes	NC-2201	(2,610)	(1,013)	(220)	(2,580)	(31)
15	Amortization of investment tax credit		-	-	-	-	-
16							
17	Total electric operating expenses	Sum L8 through L15	(2,610)	(1,013)	(220)	(2,580)	(31)
18							
19	Operating income	L4 - L17	\$ 2,610	\$ 1,013	\$ 220	\$ 2,580	\$ 31
20							
21	Notes:						
22	Revenue: positive number increases revenue / negative number decreases revenue						
23	Expense: positive number increases expense / negative number decreases expense						
24							
25							
26	Pro Formas Impacting Rate Base Line Items						
27							
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization						
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-
31							
32	Add:						
33	Materials and supplies		-	-	-	-	-
34	Working capital investment		-	-	-	-	-
35			-	-	-	-	-
36							
37	Less:						
38	Accumulated deferred taxes		-	-	-	-	-
39	Operating reserves		-	-	-	-	-
40							
41							
42	Construction work in progress		-	-	-	-	-
43							
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -
45							
46	Note:						
47	Rate Base: positive number increases rate base / negative number decreases rate base						

McManeus Second Supplemental Exhibit 1-S

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2201
Page 1 of 1
May - Second Supplemental-S

Line No.	Description	Total Carolinas Col [a]	NC Retail Allocation Col [b]	Total NC Retail Col [c]
1				
2	Rate base before pro forma adjustments	\$ 21,361,527 [1]	68.1442% [2]	\$ 14,556,650 [1]
3				
4	Pro forma rate base	\$ 23,401,626 [3]		\$ 15,946,851 [7]
5				
6	Long-term debt ratio	48.0000% [4]		48.0000% [4]
7	Calculated long-term debt (L4 x L6)	\$ 11,232,781		\$ 7,654,488
8				
9	End of year cost of long-term debt	4.2900% [4]		4.2900% [4]
10	Annualized interest expense (L7 x L9)	\$ 481,886		\$ 328,378
11				
12	Incurred interest expense	465,481 [5]		317,199 [5]
13	Increase / <decrease> to interest costs (L10 - L12)	\$ 16,405		\$ 11,179
14				
15	Statutory tax rate	23.3503% [6]		23.3503% [6]
16	Impact to income taxes (-L13 x L15)	\$ (3,831)		\$ (2,610)
17				
18	Impact to operating income (-L16)	\$ 3,831		\$ 2,610

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

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

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

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

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

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

[7] McManeus Exhibit 1, Page 1, Line 12 Less Detail of Accounting Adjustments Page 3, line 23 Rate base

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214

NC-2300
Narrative

Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

May - Second Supplemental-S

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

Updated NC-2303 Summary based on revised E&Y Lead Lag Study

Updated NC-2302 Lead Lag days based on revised E&Y study.

January Update

Recalculated based on January updated figures

January Rebuttal

NC 2301 and 2302 were set up in more detail like the Public Staff
Impacted by changes in other proformas

Supplemental Rebuttal

Recalculated based on updated figures as a result of the Settlement agreement

[illegible]

McManeus Second Supplemental Exhibit 1-S

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Page 1 of 2
May - Second Supplemental-S

Line No.	Description	NC Retail Financials		NC Retail Iteration 1		NC Retail Iteration 2		Wgt Lead Lag Days (f)	Increase (g)=(h)-(e)	With Increase (h)=(e)+(g)	Wgt Lead Lag Days (i)
		Adjusted with CWC (a)	Revenue Increase (b)=(c)-(a)	Adjusted w/Increase (c)=(n)	Increase (d)=(e)-(a)	With Increase (e)=(a)+(d)	Increase (g)=(h)-(e)				
1	Total Adjusted Revenue	4,789,651 [1]						39.69 [1]			39.69 [1]
2	Revenue Increase (L3)		340,597		337,406		3,176	39.58 [12]			39.58 [12]
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	4,789,651	340,597	5,130,248	337,406	5,127,057	3,176	39.68 [13]		5,130,233	39.68 [13]
4											
5	Total Adjusted Fuel Used in Electric Generation	1,159,551 [1]	0	1,159,551		1,159,551		22.33 [1]		1,159,551	22.33 [1]
6	Adjusted Purchased Power	23,412 [1]	0	23,412		23,412		136.58 [1]		23,412	136.58 [1]
7											
8	Operation & Maintenance Expense	1,163,638 [1]		0				33.73 [1]			33.73 [1]
9	Revenue Increase (L10)		1,293		1,281		12	33.90 [12]			33.90 [12]
10	Operation and Maintenance Expense with Increase (L8 + L9)	1,163,638	1,293	1,164,931	1,281 [5]	1,164,919	12 [5]	33.73 [13]		1,164,931	33.73 [13]
11											
12	Total Adjusted Depreciation and Amortization	1,198,968 [1]	0	1,198,968		1,198,968		- [1]		1,198,968	- [1]
13	Total Adjusted General Taxes	212,156		212,156		212,156		170.43		212,156	170.43
14											
15	Total Adjusted Interest on Customer Deposits	7,130 [1]	0	7,130		7,130		218.39 [1]		7,130	218.39 [1]
16											
17	Net Income Taxes	178,244		0				0.43		0	0.43
18	Revenue Increase (L19)		79,052		78,486		563	0.48 [12]		563	0.48 [12]
19	Income Taxes with Increase (L17 + L18)	178,244	79,052	257,296	78,486 [7]	256,730	563 [7]	0.30 [13]		257,293	0.30 [13]
20											
21	Total EDIT Amortization	(29,734)	0	(29,734)		(29,734)		- [1]		(29,734)	- [1]
22	Total Adjusted Amortization of Investment Tax Credit	(2,836) [1]	0	(2,836)		(2,836)		- [1]		(2,836)	- [1]
23											
24	Total Operating Expense (L5+L6+L10+L12+L13+L15+L19+L21+L22)	3,910,529	80,345	3,990,874	79,767	3,990,296	575	27 [14]		3,990,871	27 [14]
25											
26	Income for Return (L3 - L23)	879,122	260,251	1,139,373	257,639	1,136,761 [8]	2,600	24.61 [14]		1,139,362 [8]	24.61 [14]
27	Interest Expense	328,342 [1]	755	329,097	0	328,342 [9]	751	85.20 [1]		329,093 [9]	85.20 [1]
28	Return for Equity (L25 - L26)	550,780	259,497	810,277	257,639	808,419	1,849	- [1]		810,268	- [1]
29											
30	Total Requirement (L23 + L25 = L3)	4,789,651		5,130,248		5,127,057		26.17 [14]		5,130,233	26.16 [14]
31	Rate Base [CWC Solved for Through Iterative Process]	15,945,143 [1]	36,643	15,981,786		15,945,143 [10]	36,475 [15]			15,981,618	
32											
33	Overall Rate of Return (L25 / L30)	5.51%		7.13%		7.13%				7.1292%	
34	Target Rate of Return	7.13% [2]		7.13% [2]		7.13% [2]				7.1292% [2]	
35	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase										
36	Annual Requirement (L3 and/or L29)	4,789,651		5,130,248		5,127,057				5,130,233.01	
37	Daily Requirement (L36 / 365 Days)	13,122		14,055		14,047				14,055	
38	Net Lag Days (Column (c) only: L38 / L37)	11.69		13.52		13.51				13.52	
39	Est. CWC Req. Before Sales Tax Requirement (L37 x L)	153,355	36,643 [3]	189,998 [4]	36,475	189,831	166			189,997	
40	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]							
41	Total Cash Working Capital Requirements (L38 + L39)	159,559	36,643	196,202							

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)

[2] NC-2304-Inputs, Total ROR

[3] Ties to Line 30, Column (b)

[4] Sum of Line 38, Columns (a) + (d) + (g) + (i)

[5] Sum of (L19 + L25) x Reg Fee and Uncollectibles Rate: 0.37977%

[7] L27 / (1 - Tax Rate: 23.3503%) - L27

[8] Line 30 x Rate of Return: 7.1292%

[9] Line 30 x Debt Rate: 4.29% and Debt Ratio: 48%

[10] Column (e) = Column (a)

[11] Line 3, Column (f), (i), (l) - Line 29, Column (f), (i), (l)

[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag

[13] Calculation of Average Lead/Lag Day

[14] New weighted averages are calculated.

[15] Line 38, Columns (d), (g), (j)

McManeus Second Supplemental Exhibit 1-S

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
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		NC Retail Iteration 3			NC Retail Iteration 4		
Line No.	Description	Increase (j)=(k)-(h)	With Increase (k)=(h)+(j)	Wgt Lead Lag Days (l)	Increase (m)=(n)-(k)	With Increase (n)=(k)+(m)	Wgt Lead Lag Days (o)
1	Total Adjusted Revenue			39.69 [1]			39.69 [1]
2	Revenue Increase (L3)	14		39.58 [12]	0		39.58 [12]
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	14	5,130,247	39.68 [13]	0	5,130,248	39.68 [13]
4							
5	Total Adjusted Fuel Used in Electric Generation		1,159,551	22.33 [1]		1,159,551	22.33 [1]
6	Adjusted Purchased Power		23,412	136.58 [1]		23,412	136.58 [1]
7							
8	Operation & Maintenance Expense			33.73 [1]			33.73 [1]
9	Revenue Increase (L10)	0		33.90 [12]	0		33.90 [12]
10	Operation and Maintenance Expense with Increase (L8 + L9)	0 [5]	1,164,931	33.73 [13]	0 [5]	1,164,931	33.73 [13]
11							
12	Total Adjusted Depreciation and Amortization		1,198,968	- [1]		1,198,968	- [1]
13	Total Adjusted General Taxes		212,156	170.43		212,156	170.43
14							
15	Total Adjusted Interest on Customer Deposits		7,130	218.39 [1]		7,130	218.39 [1]
16							
17	Net Income Taxes		-	0.43		-	0.43
18	Revenue Increase (L19)	3	566	0.48 [12]	0	566	0.48 [12]
19	Income Taxes with Increase (L17 + L18)	3 [7]	257,296	0.30 [13]	0 [7]	257,296	0.30 [13]
20							
21	Total EDIT Amortization		(29,734)	- [1]		(29,734)	- [1]
22	Total Adjusted Amortization of Investment Tax Credit		(2,836)	- [1]		(2,836)	- [1]
23	Total Operating Expense (L5+L6+L10+L12+L13+L15+L19+L21+L22)	3	3,990,874	27 [14]	0	3,990,874	27 [14]
24							
25	Income for Return (L3 - L23)	12	1,139,373 [8]	24.61 [14]	0	1,139,373 [8]	24.61 [14]
26	Interest Expense	3	329,097 [9]	85.20 [1]	0	329,097 [9]	85.20 [1]
27	Return for Equity (L25 - L26)	8	810,276	- [1]	0	810,277	- [1]
28							
29	Total Requirement (L23 + L25 = L3)		5,130,247	26.16 [14]		5,130,248	26.16 [14]
30	Rate Base [CWC Solved for Through Iterative Process]	166 [15]	15,981,785		1 [15]	15,981,786	
31							
32	Overall Rate of Return (L25 / L30)		7.1292%			7.1292%	
33	Target Rate of Return		7.1292% [2]			7.1292% [2]	
34							
35	<u>Calculation of Change in Cash Working Capital (CWC)</u> <u>due to Revenue Increase</u>						
36	Annual Requirement (L3 and/or L29)		5,130,247				
37	Daily Requirement (L36 / 365 Days)		14,055				
	Net Lag Days (Column (c) only: L38 / L37)		13.52				
38	Est. CWC Req. Before Sales Tax Requirement (L37 x L)	1	189,998				
39	Add: Working Capital Related to NC Sales Tax						
40	Total Cash Working Capital Requirements (L38 + L39)						

[1] NC-2302-Adjustment to cash working capital for present
revenue annualized, column (c), column (e), and column (h)

[2] NC-2304-Inputs, Total ROR

[3] Ties to Line 30, Column (b)

[4] Sum of Line 38, Columns (a) + (d) + (g) + (j)

[5] Sum of (L19 + L25) x Reg Fee and Uncollectibles Rate: 0.37977%

[7] L27 / (1 - Tax Rate: 23.3503%) - L27

[8] Line 30 x Rate of Return: 7.1292%

[9] Line 30 x Debt Rate: 4.29% and Debt Ratio: 48%

[10] Column (e) = Column (a)

[11] Line 3, Column (f), (i), (l) - Line 29, Column (f), (i), (l)

[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag

[13] Calculation of Average Lead/Lag Day

[14] New weighted averages are calculated.

[15] Line 38, Columns (d), (g), (j)

McManeus Second Supplemental Exhibit 1-S

Cash Working Capital for Present Revenue

		Financials					NC Retail			Lead Lag Days	
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)		
1	Rate revenues	4,751,193 [1]		4,751,193		4,751,193	39.58 [1]		39.58	515,212	
2	Sales for resale revenues	61,600		61,600		61,600			35.44	5,981	
3	Forfeited discounts	15,256		15,256		15,256			70.00	2,926	
4	Miscellaneous service revenues	9,541		9,541		9,541			76.00	1,987	
5	Rent revenues - extra facilities - depreciation			0		0			0.00	-	
6	Rent revenues - extra facilities - other	25,058		25,058		25,058	30.13		30.13	2,069	
7	Rent revenues - pole & line attachments	27,655		27,655		27,655	143.39		143.39	10,864	
8	Tower lease revenues	6,161		6,161		6,161	-93.97		(93.97)	(1,586)	
9	Other electric rents	3,060		3,060		3,060	45.21		45.21	379	
10	Return & depr - Catawba general plant	11,264		11,264		11,264	-15.21		(15.21)	(469)	
11	Other misc revenues - CIAC & comp for svc	13,227		13,227		13,227	-15.21		(15.21)	(551)	
12	Other misc revenues - timber sales	(2,737)		(3)		(3)			0.00	-	
13	Profit or loss on sale of M&S	(1)		(1)		(1)			0.00	-	
14	Deferred DSM costs - NC	(377)		(377)		(377)			0.00	-	
15	Other revenue affiliate	8,729		8,729		8,729	40.21		40.21	962	
16	Revenues from transm of electricity to others	5,032		5,032		5,032	40.41		40.41	557	
17	Other electric revenues	3,639		3,639		3,639	36.03		36.03	359	
18	Other electric revenues riders	(38,869)		(38,869)		(38,869)	0.00		0.00	-	
19	Other transmission revenues	1,916		1,916		1,916	0.00		0.00	-	
20	Rate Schedule Revenue Adjustments										
21	PF REV-Annualize retail revenues for current rates		(110,407) [3]	(110,407)		(110,407)		39.58 [2]	39.58	(11,972)	
22	PF REV-Normalize for weather		(96,809) [3]	(96,809)		(96,809)		39.58 [2]	39.58	(10,498)	
23	PF REV-Annualize revenues for customer growth		25,412 [3]	25,412		25,412		39.58 [2]	39.58	2,756	
24	PF REV-Eliminate unbilled revenues		26,204 [3]	26,204		26,204		39.58 [2]	39.58	2,842	
25	PF REV-Adjust for costs recovered through non-fuel riders		50,669 [3]	50,669		50,669		0.00 [2]	0.00	-	
26	PF REV-Adjust Other Revenue		(9,502) [3]	(9,502)		(9,502)		39.58 [2]	39.58	(1,030)	
27	Rounding - Revenue		0	0		0		39.58 [2]	39.58	0	
28	Revenue - Adjustments (Sum Lines 21 through 27)	0	(114,433)	(114,433)		4,789,651					
29											
30	Total Adjusted Revenue (L1 + L28)	4,904,084	(114,433) [4]	4,789,651 [3]	0	4,789,651	40.09 [8]	(0.41) [9]	39.69 [8]	\$ 520,785	
31											
32	Operating Expenses:										
33	Fuel Used in Electric Generation	989,374 [2]		989,374		989,374	22.33 [2]		22.33	60,528	
34	PF FUEL-Normalize for weather		(25,025) [3]	(25,025)		(25,025)		22.33 [2]	22.33	(1,531)	
35	PF FUEL-Annualize revenues for customer growth		2,960 [3]	2,960		2,960		22.33 [2]	22.33	181	
36	PF FUEL-Update fuel costs to proposed rate		209,105 [3]	209,105		209,105		22.33 [2]	22.33	12,793	
37	PF FUEL-Adjust for costs recovered through non-fuel riders		(16,862) [3]	(16,862)		(16,862)		22.33 [2]	22.33	(1,032)	
38	Rounding - Fuel		0	0		0		22.33 [2]	22.33	0	
39	Fuel Used in Electric Generation - Adjustments (Sum Lines 34:38)	0	170,177	170,177		1,159,551					
40											
41	Total Adjusted Fuel Used in Electric Generation (L33 + L39)	989,374	170,177 [4]	1,159,551 [3]	0	1,159,551	22.33 [8]	0.00 [9]	22.33 [8]	\$ 70,939	
42											
43	Purchased Power	331,394 [2]		331,394		331,394	39.00 [2]		39.00	35,409	
44	Deferred Fuel	(137,046)		(137,046)		(137,046)	22.33		22.33	(8,384)	
45	PF PURCH POWER-Update fuel costs to proposed rate		(169,854) [3]	(169,854)		(169,854)		39.00 [2]	39.00	(18,149)	
46	PF PURCH POWER-Adjust for costs recovered through non-fuel riders		(1,082) [3]	(1,082)		(1,082)		39.00 [2]	39.00	(116)	
47	Rounding - Purchased Power		0	0		0					
48	Purchased Power - Adjustments (Sum Lines 45 through 47)	0	(170,936)	(170,936)		23,412					
49											
50	Total Adjusted Purchased Power (L43 + L48)	194,348	(170,936) [4]	23,412 [3]	0	23,412	50.75 [8]	85.83 [9]	136.58 [8]	\$ 8,761	
51											
52	Labor expense	571,027 [2]		571,027		571,027	Labor 36.37 [2]		36.37	56,899	
53	Benefits expense	69,021		69,021		69,021	Pension & benefits 12.21		12.21	2,309	
54	Regulatory commission expense	8,163		8,163		8,163	Reg Commiss. Exp 89.82		89.82	2,009	
55	Property insurance	1,625		1,625		1,625	Prop Ins -474.55		(474.55)	(2,113)	
56	Injuries and damages for corp	5,274		5,274		5,274	Injuries & Damages -145.50		(145.50)	(2,102)	
57	Uncollectable accounts	12,692		12,692		12,692	Uncollectibles 0.00		0.00	-	
58	Other O&M expense	708,137		708,137		708,137	Other O&M expense 36.49		36.49	70,794	
59	PF O&M-Annualize retail revenues for current rates		(826) [3]	(826)		(826)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(77)	
60	PF O&M-Normalize for weather		(368) [3]	(368)		(368)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(34)	
61	PF O&M-Annualize revenues for customer growth		2,142 [3]	2,142		2,142	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	199	
62	PF O&M-Update fuel costs to proposed rate		(21,892) [3]	(21,892)		(21,892)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(2,033)	
63	PF O&M-Adjust for costs recovered through non-fuel riders		(117,372) [3]	(117,372)		(117,372)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(10,901)	
64	PF O&M-Adjust for approved regulatory assets and liabilities		1,408 [3]	1,408		1,408	Amortization 0.00 [2]	0.00 [2]	0.00	-	
65	PF O&M-Amortize Severance Costs		(47,462) [3]	(47,462)		(47,462)	Labor expense 36.37 [2]	36.37 [2]	36.37	(4,729)	
66	PF O&M-Adjust for credit card fees		8,976 [3]	8,976		8,976	Other O&M expense 36.49 [2]	36.49 [2]	36.49	897	
67	PF O&M-Annualize O&M non-labor expenses		4,572 [3]	4,572		4,572	Total O&M 30.71 [2]	30.71 [2]	30.71	385	
68	PF O&M-Normalize O&M labor expenses		(28,128) [3]	(28,128)		(28,128)	Labor expense 36.37 [2]	36.37 [2]	36.37	(2,803)	
69	PF O&M-Update benefits costs		(3,560) [3]	(3,560)		(3,560)	Benefits expense 12.00 [2]	12.00 [2]	12.00	(117)	

McManeus Second Supplemental Exhibit 1-S

Cash Working Capital for Present Revenue

NC Retail									
Financials						Lead Lag Days			
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)
70	PF O&M-Levelize nuclear refueling outage costs		(1,946) [3]	(1,946)		(1,946)	Other O&M expense	36.49 [2]	36.49 (195)
71	PF O&M-Amortize rate case costs		801 [3]	801		801	Amortization	0.00 [2]	0.00 -
72	PF O&M-Adjust aviation expenses		(2,304) [3]	(2,304)		(2,304)	O&M Excl Fuel & PP	33.90 [2]	33.90 (214)
73	PF O&M-Adjust for Meger Related Costs		(5,530) [3]	(5,530)		(5,530)	O&M Excl Fuel & PP	33.90 [2]	33.90 (514)
74	PF O&M-Adjust O&M for executive compensation		(3,523) [3]	(3,523)		(3,523)	Labor expense	36.37 [2]	36.37 (351)
75	PF O&M-Adjust vegetation management expenses		7,739 [3]	7,739		7,739	Other O&M expense	36.49 [2]	36.49 174
76	PF O&M-Adjust Other Revenue		(36) [3]	(36)		(36)	O&M Excl Fuel & PP	33.90 [2]	33.90 (3)
77	PF O&M-Adjust for change in NCUC regulatory fee-DEC		(500) [3]	(500)		(500)	Regulatory Commission Expense	89.82 [2]	89.82 (123)
78	PF O&M-Adjust for Hydro Stations Sale		(1,560) [3]	(1,560)		(1,560)	O&M Excl Fuel & PP	33.90 [2]	33.90 (145)
79	PF O&M-Remove certain test year expenses-DEC		(271) [3]	(271)		(271)	O&M Excl Fuel & PP	33.90 [2]	33.90 (25)
80	PF O&M-Settlement adjustment to remove certain items		(4,272) [3]	(4,272)		(4,272)	O&M Excl Fuel & PP	33.90 [2]	33.90 (397)
81	PF O&M-Storm Normalization		1,610 [3]	1,610		1,610	O&M Excl Fuel & PP	33.90 [2]	33.90 150
82	Rounding - O&M		(0)	(0)		(0)	Total O&M	30.71 [2]	30.71 (0)
83	Operation & Maintenance Expense - Adjustments (Sum Lines 59-82)	0	(212,301)	(212,301)		1,163,638			
84									
85	Total Adjusted Operation & Maintenance Expense (L52 + L83)	1,375,939	(212,301) [4]	1,163,638 [3]	0	1,163,638	33.90 [8]	(0.17) [9]	33.73 [8] \$ 107,540
86									
87	Depreciation and Amortization	838,805 [1]		838,805			0.00 [1]		0.00 -
88	PF D&A-Adjust for costs recovered through non-fuel riders		(3,045) [3]	(3,045)				0.00 [2]	0.00 -
89	PF D&A-Annualize depreciation on year end plant balances		59,052 [3]	59,052				0.00 [2]	0.00 -
90	PF D&A-Adjust Depreciation for new rates		72,915 [3]	72,915				0.00 [2]	0.00 -
91	PF D&A-Adjust for post test year additions to plant in service		75,055 [3]	75,055				0.00 [2]	0.00 -
92	PF D&A-Update fuel costs to proposed rate		0 [3]	0				0.00 [2]	0.00 -
93	PF D&A-Adjust reserve for end of life coal plant inventory		0 [3]	0				0.00 [2]	0.00 -
94	PF D&A-Adjust reserve for end of life nuclear costs		(1,808) [3]	(1,808)				0.00 [2]	0.00 -
95	PF D&A-Adjust for approved regulatory assets and liabilities		62,706 [3]	62,706				0.00 [2]	0.00 -
96	PF D&A-Amortize deferred environmental costs		93,944 [3]	93,944				0.00 [2]	0.00 -
97	PF D&A-Adjust for Meger Related Costs		(56) [3]	(56)				0.00 [2]	0.00 -
98	PF D&A-Update deferred balance and amortize storm costs		(409) [3]	(409)				0.00 [2]	0.00 -
99	PF D&A-Adjust for Hydro Stations Sale		1,809 [3]	1,809				0.00 [2]	0.00 -
100	Rounding - D&A		0	0				0.00 [2]	0.00 -
101	Depreciation and Amortization - Adjustments (Sum Lines 88 through 100)	0	360,163	360,163					
102									
103	Total Adjusted Depreciation and Amortization (L87 + L101)	838,804,844	360,163 [4]	1,198,967.69 [3]	0	1,198,968	0.00 [8]	0.00 [9]	0.00 [8] \$ -
104									
105	Other taxes - NC property tax	80,657 [1]		80,657			Other taxes - NC prop	186.50 [1]	186.50 41,212
106	Other taxes - SC property tax	81,208		81,208			Other taxes - SC prop	196.50	196.50 43,719
107	Other taxes - federal payroll taxes	34,411		34,411			Other taxes - federal p	51.17	51.17 4,824
108	Other taxes	(1,594)		(1,594)			Other taxes	21.04	21.04 (92)
109	PF GEN TAX-Annualize property taxes on year end plant balances		7,470 [3]	7,470			Other taxes - NC property tax	186.50 [2]	186.50 3,817
110	PF GEN TAX-Adjust for post test year additions to plant in service		11,276 [3]	11,276			Other taxes - NC property tax	186.50 [2]	186.50 5,761
111	PF GEN TAX-Adjust for approved regulatory assets and liabilities		56 [3]	56			Taxes Other Than Income	168.11 [2]	168.11 26
112	PF GEN TAX-Normalize O&M labor expenses		(1,023) [3]	(1,023)			Other taxes - federal payroll taxes	51.17 [2]	51.17 (143)
113	PF GEN TAX-Adjust for costs recovered through non-fuel riders		(10) [3]	(10)			Taxes Other Than Income	168.11 [2]	168.11 (5)
114	PF GEN TAX-Adjust for Meger Related Costs		(73) [3]	(73)			Taxes Other Than Income	168.11 [2]	168.11 (34)
115	PF GEN TAX-Adjust aviation expenses		(27) [3]	(27)			Taxes Other Than Income	168.11 [2]	168.11 (13)
116	PF GEN TAX-Adjust for Hydro Stations Sale		(193) [3]	(193)			Other taxes	21.04 [2]	21.04 (11)
117	Rounding - General Taxes		(0)	(0)			Taxes Other Than Income	168.11 [2]	168.11 (0)
118	General Taxes - Adjustments (Sum Lines 109 through 117)	0	17,475	17,475					
119									
120	Total Adjusted General Tax (L105 + L118)	194,681	17,475 [4]	212,156 [3]	0	212,156	168.11 [8]	2.32 [9]	170.43 [8] \$ 99,062
121									
122	Interest on Customer Deposits	7,130 [1]		7,130			218.40 [1]		218.40 4,266
123	Interest on Customer Deposits - Adjustments			0					
124									
125	Total Adjusted Interest on Customer Deposits (L122 + L123)	7,130	0 [4]	7,130 [3]	0	7,130	218.40 [8]	(0.01) [9]	218.39 [8] \$ 4,266
126									
127	Current state and federal income tax	2,397 [1]		2,397			44.75 [1]		44.75 294
128	Deferred income taxes	222,600		222,600			0.00		0.00 -
129	PF INC TAX-Adjust Income Taxes		(58,207) [3]	(58,207)				0.48 [2]	0.48 (76)
130	PF INC TAX-Adjust for costs recovered through non-fuel riders		16,763	16,763				0.00 [2]	0.00 -
131	PF INC TAX-Adjust NC income taxes for rate change		(2,707) [3]	(2,707)				0.48 [2]	0.48 (4)
132	PF INC TAX-Synchronize interest expense with end of period rate base		(2,610) [3]	(2,610)				0.48 [2]	0.48 (3)
133	Rounding - Income Taxes		(0)	(0)				0.48 [2]	0.48 (0)
134	Income Taxes - Adjustments (Sum Lines 129 through 133)	0	(46,761)	(46,761)					
135									
136	Total Adjusted Income Taxes (L127 + L134)	224,997	(46,761) [4]	178,236 [3]	8 [6]	178,244	0.48 [8]	(0.04) [9]	0.43 [8] \$ 211
137									
138	EDIT Amortization								

McManeus Second Supplemental Exhibit 1-S

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

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Cash Working Capital for Present Revenue

Line No.	Description	NC Retail					Lead Lag Days		
		Financials				Adjusted Before Change in CWC (c)=(a)+(b)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjusted Before Increase (h)=(f)+(g)
		Per Books (a)	Adjustments (b)	Change in CWC (d)					
139	PF EDIT-Amortize Protected EDIT		(29,734) [3]	(29,734)					
140	Rounding - EDIT Amort		(0)	(0)				0.00 [2]	0.00
141	EDIT Amortization - Adjustments (Sum Lines 142:143)	0	(29,734)	(29,734)				0.00 [2]	0.00
142									
143	Total Adjusted EDIT Amortization (L138 + L141)	0	(29,734) [4]	(29,734) [3]	0	(29,734)		0.00 [8]	0.00 [9]
144									
141	Amortization of Investment Tax Credit	(3,526) [1]		(3,526)				0.00 [1]	0.00
142	PF ITC-Annualize depreciation on year end plant balances		690 [3]	690				0.00 [2]	0.00
143	Rounding - ITC	(0)		(0)				0.00 [2]	0.00
144	Amort. of Investment Tax Credit - Adjustments (Sum Lines 142:143)	0	690	690					
145									
146	Total Adjusted Amortization of Investment Tax Credit (L141 + L144)	(3,526)	690 [4]	(2,836) [3]	0	(2,836)		0.00 [8]	0.00 [9]
147									
148	Total Operating Expense (L41+L50+L85+L103+L120+L125+L136+L146)	3,821,748	88,772	3,910,521	8	3,910,529		29.57 [8]	(2.43) [9]
149									
150	Income for Return (L30 - L148)	1,082,336	(203,205)	879,130	(8)	879,122		24.97 [8]	6.85 [9]
151	Interest Expense	317,199 [2]	11,179 [4]	328,378 [5]	(35) [5]	328,342		85.20 [2]	0.00 [9]
152	Return for Equity (L150 - L151)	765,137	(214,384)	550,753	27	550,780		0.00 [2]	0.00 [9]
153									
154	Total Requirement (L148 + L150 = L30)	4,904,084		4,789,651		4,789,651		28.55 [8]	(0.55) [9]
155									
156	RATE BASE	14,556,650 [3]	1,390,201 [4]	15,946,851 [3]	(1,708) [7]	15,945,143			
157									
158									
159									
160	Calculation of Change in Cash Working Capital (CWC) due to Adjustments	Per Books	Change in CWC	Adjusted					
161	Annual Requirement	4,904,084		4,789,651					
162	Daily Requirement (L140 / 365 Days)	13,436		13,122					
163	Net Lag Days (L138, Rounded Per Books)	11.54		11.69					
164	Est. CWC Req. Before Sales Tax Requirement (L141 x L142)	155,064		153,355					
165	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]					
166									
167	Total Cash Working Capital Requirements (L164 + L165)	161,268	(1,708) [4]	159,559					
168									
169	Revenue Lag Days (Per Line 47, Columns (f) & (h))	40.09		39.6869					
170	Requirement Lead Days (Per Line 159, Columns (f) & (h))	28.55		28.0003					
171									
172	Net Lag Days (L169 - L170)	11.54		11.69					

Notes:

- [1] Columns (a) and (f) match Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Summary
[2] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Study
[3] Exhibit C in Docket E-7, Sub 1214
[4] Column (b) = Column (c) - Column (a)
[5] Line 156 x Debt Rate: 4.29% and Debt Ratio: 48%
[6] Interest Expense: - L151 x Tax Rate: 23.3503%
[7] Line 167, Column (b)
[8] New weighted averages calculated.
[9] Column (g) = Column (h) - Column (f)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

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E-1 Item 14

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

Line No	Description	Actual Annual Expense [A]	Lead (Lag) Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag		40.09	
2				
3	Operation & Maintenance Expense	\$ 2,559,661	30.71	\$ 78,598,072
4	Depreciation and Amortization	838,805	0.000	-
5	Taxes Other Than Income Taxes	194,681	168.11	32,727,032
6	Interest on Customer Deposits	7,130	218.40	1,557,121
7	Net Income Taxes	224,997	0.48	107,266
8	ITC	(3,526)	0.00	-
9	Income for Return	1,082,336	24.97	27,025,317
10	Total Requirements (Sum L3 through L9)	<u>\$ 4,904,084</u>	28.55	<u>\$ 140,014,807</u>
11				
12	Revenue Lag Days (L1)		40.09	
13	Requirements Lead Days (-L10)		-28.55	
14	Net Lag Days (L12 + L13)		<u>11.54</u>	
15	Daily Requirements (Line 10, Col. A divided by 365)			\$ 13,436
16				
17	Estimated Cash Working Capital Requirements (L14 x L15)			\$ 155,064
18	Add: Cash Working Capital Related to NC Sales Tax			6,204
19	Total Cash Working Capital Requirements (L17 + L18)			<u>\$ 161,268</u>
20				
21	Calculation of Total Company and Jurisdictional Amounts:			
22	NC Retail Factor "All - Rate Base x CWC" Allocation Factor			68.1442%
23				
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 236,657
25				
26	NC Retail Factor			68.1442%
27	SC Retail Factor			23.4945%
28	NC Wholesale Factor			4.6385%
29	SC Wholesale Factor			3.6759%
30	Other			0.0469%
31	Total (Sum L26 through L29)			<u>100.0000%</u>
32				
33	NC Retail Cash Working Capital Requirement (L24 x L26)			\$ 161,267.787
34	SC Retail Cash Working Capital Requirement (L24 x L27)			55,601.207
35	NC Wholesale Cash Working Capital Requirement (L24 x L28)			10,977.210
36	SC Wholesale Cash Working Capital Requirement (L24 x L29)			8,699.225
37	Other Cash Working Capital Requirement (L25 x L30)			111.093
38	Total Company Cash Working Capital Requirement (Sum L33 through L37)			<u>\$ 236,656.522</u>

Duke Energy Carolinas, LLC

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Adjust cash working capital for present revenue annualized and proposed revenue

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For the test period ended December 31, 2018

Line No	Description	Rate	Ratio	Weighted
1	Debt	4.2900% [1]	48.0000% [1]	2.0592% [2]
2	Equity	9.7500% [1]	52.0000% [1]	5.0700% [3]
3	Total ROR (L1 + L2)			7.1292%
4				
5	Statutory tax rate	23.3503% [4]		
6	Statutory regulatory fee percentage rate	0.12967% [5]		
7	Uncollectibles	0.25010% [6]		

Notes:

[1] Docket No. E-7, Sub 1214, McManeus Exhibit 1, Page 2

[2] Debt Rate x Debt Ratio

[3] ROE x Equity Ratio

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

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

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Summary of Proposed Revenue Adjustments
For the test period ended December 31, 2018

McManeus Second Supplemental
Exhibit 2-S

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>NC Retail</u>
1		
2	Revenue Requirement from Exhibit 1	\$ 340,598
3	EDIT Rider	(123,564)
4	Total Requested Increase	<u>\$ 217,034</u>

DUKE ENERGY CAROLINAS, LLC
Revenue Requirement
Docket E7 Sub 1214
(Thousands of Dollars)

McManeus Second Supplemental
Exhibit 3-S

Line No.	Item	Amount
1	Revenue requirement increase per Company Supplemental Filing	\$464,585
2	Revenue Requirement impact of Rebuttal	101
3	Revenue Impact of Supplemental Rebuttal including Settlement	(97,052)
4	Revenue impact of supplemental updates through May	\$48,390
5	Revenue requirement increase per Company Rebuttal Filing	<u>\$416,024</u>
6		
7	May Updates	
8	Ex 1 Adjust ROE from 10.3% to 9.75	(59,896)
9	Ex 1 Adjust E/D Ratio from 53/47 to 52/48	(12,587)
10	NC2200 Adjust synchronized interest expense	(2,092)
11	NC2300 Adjust cash working capital under present rates	(140)
12	NC2300 Adjust cash working capital under proposed rates	(712)
13		
14	Total Revenue impacts from Adjustments	<u>\$ (75,426)</u>
15		
16	Revenue Requirement	<u><u>\$ 340,598</u></u>

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Second Supplemental Exhibit 4S

Excess Deferred Income Tax Rider Calculation
(Dollars in thousands)

	Federal EDIT - Unprotected, PP&E related NC Retail	Federal EDIT - Unprotected, non PP&E related NC Retail	NC EDIT NC Retail	Deferred Revenue NC Retail	Total NC Retail
	(A)	(B)	(C)	(D)	(E)
1 Regulatory Federal EDIT liability including gross up on the books as of 12/31/2018, based on 2017 tax returns	[1] \$ (783,045)	\$ (166,964)	\$ (34,339)		(984,347)
2 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2018-12/31/2018	[1]	\$ (29,734)	\$ -		(29,734)
3 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2019-7/31/2020	[1]	\$ (47,078)	\$ -		(47,078)
4 Regulatory Federal EDIT liability including gross up and transition of Protected to Unprotected Regulatory liability as of 7/31/2020 (Sum of L1 to L3)	\$ (783,045)	\$ (243,776)	\$ (34,339)	\$ -	\$ (1,061,159)
5 Adjustment to implement ASU 2018-02	[1]	\$ (1,344)	\$ -		(1,344)
6 Deferred revenues related to 2017 Federal Tax Rate Change as of 12/31/2018	[1]			\$ (112,661)	(112,661)
7 Other projected updates through 1/31/2020	[2]		\$ (53,31)	\$ (8,392)	(8,445)
8 Regulatory liability for federal tax change including gross up for NC Retail, for Year 1 rider calculation (Sum of L4 to L7)	\$ (783,045)	\$ (245,120)	\$ (34,392)	\$ (121,053)	(1,183,610)
9 Years of rider amortization	20	5	5	5	
10 Annual amortization amount (L8 / L9)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)

- [1] Excess deferred tax liability (EDIT) on the books as of 12/31/2018 by jurisdiction, and forecast transition to new rates effective date between categories based on Tax Dept. analysis of ADIT.
Federal EDIT related to the federal tax changes booked to the 0254036 and 0254038 accounts is included in other Working Capital in the per books cost of service.
NC EDIT related to the NC state tax reduction deferred to the 0254150 account not included for recovery in NC EDIT rider approved in prior DEC NC rate case.
This NC EDIT is included in other Working Capital in the per books cost of service study.
Revenues deferred for federal tax changes with accrued returns in the 0229010 account, are currently excluded from rate base in the per books cost of service study.
- [2] Actual updates to the NC tax EDIT during 2019 by Tax Dept.
McManeus Second Supplemental Exhibit 4S, Page 3, Line 1 return accruals on deferred revenues in the 0229010 account projected through 1/31/2020.

Cost of Capital per McManeus Exhibit 1

	Ratio	Rate	After Tax Weighted Average Cost of Capital (WACC)
Debt	48.00%	4.29%	1.58%
Equity	52.00%	9.75%	5.07%

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Second Supplemental Exhibit 4S

Statutory Tax Rate	6.65%
Retention factor for NCUC Fee, Uncollectibles	23.35%
	99.62%

Annual Rider Calculation

Amortization - From Page 1, L10														
Federal EDIT														
-														
Year	Beginning Balance, Page 1, L8	Federal EDIT - Unprotected, PP&E related	Unprotected, non PP&E related	NC EDIT	Deferred Revenue	Total Amortization (F) =(B)+(C)+(D)+[E]	Ending Balance before Return (G) = (A) - (F)	Average of Beginning and Ending Balance (H) = ((A) + (G)) /2	EDIT Balance in Base Rates, Page 1, L4	Change in Regulatory Liability for Rider Return	Return for Rider (K) = (J) x After Tax WACC	Rider Revenues (L) = (F) + (K)	Rider Revenues incl. NCUC Fee, Uncollectibles (M) = (L) / Retention Factor	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J) = (H) - (I)					
Aug 20- Jun 21	1	(1,183,610)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(1,064,345)	(\$1,123,977)	(1,061,159)	(\$62,818)	(\$3,829)	(123,095)	(123,564)
Jul 21- Jun 22	2	(1,064,345)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(945,079)	(\$1,004,712)	(1,061,159)	\$56,447	\$3,754	(115,512)	(115,952) [1]
Jul 22- Jun 23	3	(945,079)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(825,814)	(\$885,447)	(1,061,159)	\$175,712	\$11,685	(107,580)	(107,991) [1]
Jul 23- Jun 24	4	(825,814)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(706,549)	(\$766,181)	(1,061,159)	\$294,978	\$19,616	(99,649)	(100,029) [1]
Jul 24- Jun 25	5	(706,549)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(587,283)	(\$646,916)	(1,061,159)	\$414,243	\$27,547	(91,718)	(92,068) [1]

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

Deferred Revenue for Federal Tax Rate Change in account 0229010

NC Retail

1 Projected Changes in Deferred Revenue for Federal Tax Rate Change through Jan 2020

(\$8,392,119)

DUKE ENERGY CAROLINAS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 7,273,365	\$ 4,904,084	\$ (94,214)	\$ 4,809,871	\$ 367,634	\$ 5,177,505
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,504,692	989,374	178,117	1,167,491	-	1,167,491
3	Purchased power	317,798	194,348	(170,936)	23,412	-	23,412
4	Other operation and maintenance expense	2,029,601	1,375,939	(216,189)	1,159,750	1,396	1,161,146
5	Depreciation and amortization	1,193,762	838,805	346,126	1,184,930	-	1,184,930
6	General taxes	291,829	194,681	14,972	209,653	-	209,653
7	Interest on customer deposits	8,169 (b)	7,130	-	7,130	-	7,130
8	Net income taxes	340,714	224,997	(36,751)	188,246	85,332	273,578
9	EDIT Amortization			(29,734)	(29,734)		(29,734)
10	Amortization of investment tax credit	(5,259)	(3,526)	690	(2,836)	-	(2,836)
11	Total electric operating expenses	5,681,305	3,821,748	86,294	3,908,043	86,728	3,994,771
12	Operating income	\$ 1,592,059	\$ 1,082,336	\$ (180,508)	\$ 901,828	\$ 280,906	\$ 1,182,734
13	Original cost rate base (e)	\$ 21,361,527	\$ 14,556,650	\$ 1,225,715 (d)	\$ 15,782,365	\$ 39,528 (f)	\$ 15,821,893
14	Rate of return on North Carolina retail rate base		7.44%		5.71%		7.48%

Notes: (a) From Form E-1 Item 45A

(b) Reclassifies interest on customer deposits to electric operating expense.

(c) From Page 3, Line 35.

(d) From Page 4, Line 9.

(e) From Page 2.

(f) Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY CAROLINAS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 10,993,064	47.00%	\$ 7,417,711	4.29%	\$ 318,220	\$ 7,436,290	4.29%	\$ 319,017
2	Members' equity (a)	11,682,367	53.00%	8,364,653	6.98%	583,608	8,385,603	10.30%	863,717
3	Total	<u>\$ 22,675,431</u>	<u>100.00%</u>	<u>\$ 15,782,365</u> (b)		<u>\$ 901,828</u> (c)	<u>\$ 15,821,893</u> (b)		<u>\$ 1,182,734</u>
4	Operating income before increase (Line 3, Column 5)								901,828
5	Additional operating income required (Line 3 minus Line 4)								280,906
6	Calculate income tax on incremental interest expense due to increase in cash working capital in proposed revenue								(186)
7	Regulatory fee (.12967%), uncollectibles rate (.2501%) and income taxes (23.3503%)								86,914
8	Additional revenue requirement								<u>\$ 367,634</u>

Notes: (a) The equivalent of common equity for a limited liability company.
(b) From Page 1, Line 12, Column 4 and Column 6.
(c) From Page 1, Line 11, Column 4.

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	EDIT Amortization	Amortization of ITC (Col. 8)	Operating Income
1	Annualize retail revenues for current rates	\$ (110,407)	\$ -	\$ -	\$ (826)	\$ -	\$ -	\$ (25,588)		\$ -	(83,994)
2	Update fuel costs to proposed rate	-	209,105	(169,854)	(21,892)	(3,277)	-	(3,288)		-	(10,794)
2E	Update fuel costs to proposed rate	-	-	-	-	3,277	-	(765)		-	(2,512)
3	Normalize for weather	(109,566)	(26,163)	-	(416)	-	-	(19,378)		-	(63,609)
3F	Normalize for weather - Supplemental	12,757	1,138	-	48	-	-	2,702		-	8,869
4	* Annualize revenues for customer growth	9,942	2,775	-	39	-	-	1,664		-	5,464
4G	Annualize revenues for customer growth - Supplemental Rebuttal	35,690	8,125	-	2,930	-	-	5,752		-	18,883
5	Eliminate unbilled revenues	26,204	-	-	-	-	-	6,119		-	20,085
6	Adjust for costs recovered through non-fuel riders	50,669	(16,862)	(1,082)	(117,348)	(3,071)	(10)	60,905		-	128,138
6F	Adjust for costs recovered through non-fuel riders - Supplemental	-	-	-	(24)	27	-	(1)		-	(2)
7	Adjust O&M for executive compensation	-	-	-	(3,301)	-	-	771		-	2,530
7G	Adjust O&M for executive compensation - Supplemental Rebuttal	-	-	-	(222)	-	-	52		-	170
8	Annualize depreciation on year end plant balances	-	-	-	-	59,172	-	(13,817)		690	(46,045)
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	(121)	-	28		-	92
9	Annualize property taxes on year end plant balances	-	-	-	-	-	7,469.73	(1,744)		-	(5,726)
10	* Adjust for post test year additions to plant in service	-	-	-	-	50,629	6,771	(13,403)		-	(43,998)
10E	Adjust for post test year additions to plant in service - Supplemental	-	-	-	-	10,380	2,486	(3,004)		-	(9,862)
11	* Amortize deferred environmental costs	-	-	-	-	95,913	-	(22,396)		-	(73,517)
11E	Adjust deferred environmental - Supplemental	-	-	-	-	(1,970)	-	460		-	1,510
12	Annualize O&M non-labor expenses	-	-	-	2,631	-	-	(614)		-	(2,017)
12G	Adjust non-labor expenses - Supplemental Rebuttal	-	-	-	5,150	-	-	(1,202)		-	(3,947)
13	* Normalize O&M labor expenses	-	-	-	(23,765)	-	(1,162)	5,820		-	19,106
13G	Adjust Normalization O&M Labor Expenses - Supplemental Rebuttal	-	-	-	(12,287)	-	(346)	2,950		-	9,683
14	Update benefits costs	-	-	-	(1,433)	-	-	335		-	1,099
14E	Update benefits costs	-	-	-	(2,126)	-	-	496		-	1,630
15	* Levelized nuclear refueling outage costs	-	-	-	(2,138)	-	-	499		-	1,639
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	192	-	-	(45)		-	(147)
16	* Amortize rate case costs	-	-	-	801	-	-	(187)		-	(614)
16G	Adjust Amortize Rate Case costs - Supplemental Rebuttal	-	-	-	-	-	-	-		-	-
17	Adjust aviation expenses	-	-	-	(1,986)	-	(27)	470		-	1,543
17G	Adjust aviation expenses - Supplemental Rebuttal	-	-	-	(318)	-	-	74		-	244
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,408	62,706	56	(14,984)		-	(49,187)
19	Adjust for Merger Related Costs	-	-	-	(5,530)	(21)	(73)	1,313		-	4,311
19E	Adjust Merger related Costs - Supplemental	-	-	-	-	(27)	-	6		-	21

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	EDIT Amortization	Amortization of ITC (Col. 8)	Operating Income
20	* Amortize Severance Costs	-	-	-	(46,208)	-	-	10,790		-	35,418
20G	Adjust amortization of Severance Costs - Supplemental Rebuttal	-	-	-	(1,255)	-	-	293		-	962
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	(2,707)		-	2,707
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(2,580)		-	2,580
22G	Adjust Synchronize Interest Expense - Supplemental Rebuttal	-	-	-	-	-	-	2,360		-	(2,360)
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	-	-	-	103		-	(103)
23G	Adjust Cash Working Capital - Supplemental Rebuttal	-	-	-	-	-	-	(121)		-	121
24	Adjust coal inventory	-	-	-	-	-	-	-		-	-
25	* Adjust for credit card fees	-	-	-	8,774	-	-	(2,049)		-	(6,725)
25F	Adjust Credit Card Fees - Supplemental	-	-	-	202	-	-	(47)		-	(155)
26	* Adjust Depreciation for new rates	-	-	-	-	72,133	-	(16,843)		-	(55,290)
26E	Adjust Depreciation for new rates - Supplemental	-	-	-	-	781	-	(182)		-	(599)
27	Adjust vegetation management expenses	-	-	-	7,739	-	-	(1,807)		-	(5,932)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(1,808)	-	422		-	1,386
29	* Update deferred balance and amortize storm costs	-	-	-	-	24,179	-	(5,646)		-	(18,533)
29G	Remove storm costs for securitization - Supplemental Rebuttal	-	-	-	-	(24,588)	-	5,741		-	18,846
30	Adjust Other Revenue	(9,502)	-	-	(36)	-	-	(2,210)		-	(7,256)
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	(500)	-	-	117		-	383
32	* Adjust for Hydro Stations Sale	-	-	-	(1,560)	1,773	(193)	(5)		-	(16)
32E	Adjust for Hydro Stations Sale - Supplemental	-	-	-	-	36	-	(8)		-	(27)
33D	Correct Lead Lag Per Books	-	-	-	-	-	-	-		-	-
34F	Remove Certain Test Period Expenses - Rebuttal	-	-	-	(271)	-	-	63		-	208
35G	Amortize Protected EDIT - Supplemental Rebuttal	-	-	-	-	-	-	6,943	(29,734)	-	22,791
36G	Settlement adjustment to remove certain items Supplemental Rebuttal	-	-	-	(4,272)	-	-	997		-	3,274
37G	Storm Normalization - Supplemental Rebuttal	-	-	-	1,610	-	-	(376)		-	(1,234)
35	Total adjustments - Original Filing	\$ (142,660)	\$ 168,854	\$ (170,936)	\$ (205,547)	\$ 358,330	\$ 12,832	\$ (59,918)	\$ -	\$ 690	\$ (246,966)
35G	Changes in Supplemental Rebuttal	48,447	9,263	-	(10,642)	(12,204)	2,140	23,166	(29,734)	-	66,458
	Total Adjustments	\$ (94,214)	\$ 178,117	\$ (170,936)	\$ (216,189)	\$ 346,126	\$ 14,972	\$ (36,751)	\$ (29,734)	\$ 690	\$ (180,508)

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

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	\$ 109,999	-	109,999
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	\$ 14,136	-	14,136
2E	Update fuel costs to proposed rate - Supplemental	-	-	-	-	-	-	-	-	\$ 3,289	-	3,289
3	Normalize for weather	-	-	-	-	-	-	-	-	\$ 83,303	-	83,303
3F	Normalize for weather - Supplemental	-	-	-	-	-	-	-	-	\$ (11,615)	0	(11,615)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	\$ (7,155)	-	(7,155)
4G	Annualize revenues for customer growth - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (24,729)	-	(24,729)
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	\$ (26,304)	-	(26,304)
6	Adjust for costs recovered through non-fuel riders	(18,328)	4,243	(42,354)	(19,404)	12,472	-	-	(63,371)	\$ (167,811)	(5,813)	(173,624)
6F	Adjust for costs recovered through non-fuel riders - Supplemental	929	(206)	-	(37,184)	-	-	-	(36,462)	\$ 2	(3,345)	(3,342)
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	\$ (3,314)	-	(3,314)
7G	Adjust O&M for executive compensation - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (222)	-	(222)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	\$ 60,301	-	60,301
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	-	-	-	-	\$ (121)	-	(121)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	\$ 7,498	-	7,498
10	* Adjust for post test year additions to plant in service	1,355,958	(619,363)	-	(4,945)	(17,144)	-	-	714,506	\$ 57,620	65,543	123,162
10E	Adjust for post test year additions to plant in service - Supplemental	461,096	12,809	-	44,487	(25,112)	-	-	493,279	\$ 12,915	45,249	58,164
11	* Amortize deferred environmental costs	-	-	-	383,653	(89,584)	-	-	294,069	\$ 96,279	26,975	123,254
11E	Adjust deferred environmental - Supplemental	-	-	-	(7,879)	1,840	-	-	(6,039)	\$ (1,977)	(554)	(2,531)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	\$ 2,641	-	2,641
12G	Adjust non-labor expenses - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ 5,169	-	5,169
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	\$ (25,021)	-	(25,021)
13G	Adjust Normalization O&M Labor Expenses - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (12,681)	-	(12,681)
14	Update benefits costs	-	-	-	-	-	-	-	-	\$ (1,439)	-	(1,439)
14E	Update benefits costs	-	-	-	-	-	-	-	-	\$ (2,134)	-	(2,134)
15	* Levelized nuclear refueling outage costs	-	-	-	-	-	-	-	-	\$ (2,146)	-	(2,146)
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	-	-	-	-	-	\$ 193	-	193
16	* Amortize rate case costs	-	-	-	3,080	(719)	-	-	2,361	\$ 804	217	1,021
16G	Adjust Amortize Rate Case costs - Supplemental Rebuttal	-	-	-	(3,080)	719	-	-	(2,361)	\$ -	(217)	(217)
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	\$ (2,021)	-	(2,021)
17G	Adjust aviation expenses - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (319)	-	(319)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(139,897)	32,666	-	-	(107,231)	\$ 64,415	(9,836)	54,579
19	Adjust for Merger Related Costs	-	338	-	-	-	-	-	338	\$ (5,645)	31	(5,614)
19E	Adjust Merger related Costs - Supplemental	(1,206)	-	-	-	-	-	-	(1,206)	\$ (27)	(111)	(138)

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
20	* Amortize Severance Costs	-	-	-	46,113	(10,767)	-	-	35,345	\$ (46,384)	3,242	(43,141)
20G	Adjust amortization of Severance Costs - Supplemental Rebuttal	-	-	-	(46,113)	10,767	-	-	(35,345)	\$ (1,260)	(3,242)	(4,502)
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	\$ (3,545)	-	(3,545)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	\$ (3,379)	-	(3,379)
22G	Adjust Synchronize Interest Expense - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ 3,090	-	3,090
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	(20,794)	-	-	-	(20,794)	\$ 135	(1,907)	(1,773)
23G	Adjust Cash Working Capital - Supplemental Rebuttal	-	-	-	24,711	-	-	-	24,711	\$ (158)	2,267	2,108
24	Adjust coal inventory	-	-	3,848	-	-	-	-	3,848	\$ -	353	353
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	\$ 8,808	-	8,808
25F	Adjust Credit Card Fees - Supplemental	-	-	-	-	-	-	-	-	\$ 203	-	203
26	* Adjust Depreciation for new rates	-	(72,913)	-	-	-	-	-	(72,913)	\$ 72,408	(6,688)	65,720
26E	Adjust Depreciation for new rates - Supplemental	-	(2)	-	-	-	-	-	(2)	\$ 784	(0)	784
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	\$ 7,768	-	7,768
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	\$ (1,815)	-	(1,815)
29	* Update deferred balance and amortize storm costs	-	-	-	169,251	(39,520)	-	-	129,730	\$ 24,271	11,900	36,171
29G	Remove storm costs for securitization - Supplemental Rebuttal	(18,575)	442	-	(169,251)	39,520	-	-	(147,864)	\$ (24,681)	(13,564)	(38,245)
30	Adjust Other Revenue	-	-	-	-	-	-	-	-	\$ 9,502	-	9,502
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	-	-	-	-	-	\$ (502)	-	(502)
32	* Adjust for Hydro Stations Sale	(36,522)	14,093	(146)	19,280	(4,502)	-	-	(7,797)	\$ 20	(715)	(695)
32E	Adjust for Hydro Stations Sale	36,522	(14,093)	-	214	(50)	-	-	22,593	\$ 36	2,073	2,108
33D	Correct Lead Lag Per Books	-	-	-	(16,472)	-	-	-	(16,472)	\$ -	(1,511)	(1,511)
34F	Remove Certain Test Period Expenses	-	-	-	-	-	-	-	-	\$ (272)	-	(272)
35G	Amortize Protected EDIT - Supplemental Rebuttal	-	-	-	29,734	(6,943)	-	-	22,791	\$ (29,847)	2,091	(27,756)
36G	Settlement adjustment to remove certain items Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (4,288)	-	(4,288)
37G	Storm Normalization - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ 1,616	-	1,616
38	Total adjustments - Original Filing	\$ 1,301,107	\$ (673,602)	\$ (38,652)	\$ 436,337	\$ (117,099)	\$ -	\$ -	\$ 908,092	\$ 323,429	\$ 83,301	\$ 406,730
38G	Changes in Supplemental Rebuttal	478,765	(1,050)	-	(180,834)	20,742	-	-	317,623	\$ (87,034)	29,136	(57,898)
	Total Adjustments	\$ 1,779,873	\$ (674,652)	\$ (38,652)	\$ 255,502	\$ (96,357)	\$ -	\$ -	\$ 1,225,715	\$ 236,395	\$ 112,437	\$ 348,832

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

DUKE ENERGY CAROLINAS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 41,057,320	\$ 27,969,103	\$ 1,779,873	\$ 29,748,975
2	Less: Accumulated depreciation and amortization	4b	<u>(15,830,487)</u>	<u>(10,810,668)</u>	<u>(674,652)</u>	<u>(11,485,320)</u>
3	Net electric plant		25,226,833	17,158,435	1,105,221	18,263,656
4	Add: Materials and supplies	4c	994,443	678,077	(38,652)	639,426
5	Working capital investment	4d	(406,979)	(253,955)	255,502	1,547
6	Less: Accumulated deferred taxes		(3,824,449)	(2,601,854)	(96,357) (a)	(2,698,210)
7	Operating reserves		(628,321)	(424,053)	-	(424,053)
8	Construction work in progress		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
9	Total		<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 1,225,715</u>	<u>\$ 15,782,365</u>

DUKE ENERGY CAROLINAS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 22,181,205	\$ 14,978,527	\$ 754,494	\$ 15,733,021
2	Transmission Plant	4,052,747	2,179,775	226,495	2,406,270
3	Distribution Plant	12,085,804	8,938,158	658,960	9,597,118
4	General Plant	1,212,985	830,763	94,664	925,427
5	Intangible Plant	986,751	687,541	45,260	732,801
6	Subtotal	40,519,492 (a)	27,614,764	1,779,873	29,394,637
7	Nuclear Fuel (Net)	537,828	354,338	-	354,338
8	Total electric plant in service	<u>\$ 41,057,320</u>	<u>\$ 27,969,103</u>	<u>\$ 1,779,873</u>	<u>\$ 29,748,975</u>

Notes: (a) Excludes asset retirement obligations, electric plant held for future use, and electric plant acquisition adjustments totaling \$642,372 thousand.
(b) Reflects certain plant in service additions/retirements through January 2020, and a reduction for solar electric plant recovered through the REPS rider.

DUKE ENERGY CAROLINAS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DECEMBER 31, 2018
(Thousands of Dollars)

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (8,604,490)	\$ (5,795,067)	\$ (517,221)	\$ (6,312,288)
2	Transmission Reserve	(1,385,391)	(745,942)	(21,595)	(767,537)
3	Distribution Reserve	(4,816,028)	(3,561,642)	(62,715)	(3,624,357)
4	General Reserve	(414,681)	(285,334)	(25,568)	(310,902)
5	Intangible Reserve	(609,897)	(422,682)	(47,553)	(470,235)
6	Total	<u>\$ (15,830,487)</u>	0 <u>\$ (10,810,668)</u>	<u>\$ (674,652)</u>	<u>\$ (11,485,320)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	4.40%			
9	Nuclear production plant	3.60%			
10	Hydro production plant	2.00%			
11	Other production plant	3.21%			
12	Transmission plant	2.23%			
13	Distribution plant	2.28%			
14	General plant	Various			
15	Intangible plant	20.00%			

Notes: (a) Excludes accumulated amortization of electric plant acquisition adjustment and accumulated depreciation related to asset retirement obligations totaling (\$107,345) thousand.
(b) Consists of adjustments to depreciation for year-end plant and certain plant additions/retirements through January 2020.

DUKE ENERGY CAROLINAS, LLC
MATERIALS AND SUPPLIES
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 175,291	\$ 115,487	\$ 3,848 [a]	\$ 119,336
2	Gas	45,470	29,957	-	29,957
3	Total fuel stock	220,761	145,444	3,848	149,293
4	Other electric materials and supplies and stores clearing	773,682	532,633	(42,500) [b]	490,133
5	Total Materials and Supplies	\$ 994,443	\$ 678,077	\$ (38,652)	\$ 639,426

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 35 days at full load.
(b) Eliminates (\$42,354) thousand of costs recorded in connection with non-fuel riders and (\$146) related to sale of hydro plants.

DUKE ENERGY CAROLINAS, LLC
WORKING CAPITAL INVESTMENT
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations			Impact of Rev Incr (Col. 5)	With Rev Incr (Col. 6)
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)		
1	Required bank balance	\$ 300	\$ 204	\$ -	\$ 204		\$ 204
2	Investor advanced funds: Operating funds per lead-lag study	260,829	177,740 (a)	(12,555) (b)	165,185	39,528 (c)	204,713
3	Unamortized Debt	114,911	78,306	-	78,306	-	78,306
4	Pension Funding	580,864	394,363	-	394,363	-	394,363
5	Injuries and Damages	705,912	477,557	-	477,557	-	477,557
6	Regulatory Asset and Liability - Tax	(3,338,909)	(2,208,434)	-	(2,208,434)	-	(2,208,434)
7	Other	1,395,698	922,916	268,058	1,190,974	-	1,190,974
8	Total investor advanced funds	(280,695)	(157,552)	255,502	97,950	39,528	137,478
9	Less: customer deposits	(126,585)	(96,608)	-	(96,608)	-	(96,608)
10	Total working capital investment	<u>\$ (406,979)</u>	<u>\$ (253,955)</u>	<u>\$ 255,502</u>	<u>\$ 1,547</u>	<u>\$ 39,528</u>	<u>\$ 41,075</u>

Notes: (a) From Speros Exhibit 2, Line 19.

(b) Reflects a decrease in 'operating funds per lead-lag study' for the adjusted total requirements in this rate case.

(c) Reflects an increase in 'operating funds per lead-lag study' for the impact of the revenue increase.

Duke Energy Carolinas, LLC
 Docket No. E-7, Sub 1214
 Annualize revenues for customer growth
 For the test period ended December 31, 2018

NC-0400
 Narrative
 Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to revenue is determined as follows:

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

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

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

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

This adjustment updates revenues to reflect customer growth experienced beyond the Test Period, through July 2019. The underlying calculations reflect the same methods used in the Company's rebuttal testimony as explained by Company witness Pirro in Docket E-7 Sub 1146.

January update

NC-0403 was updated for the updated weather impacts reflected in NC-300 as well as customer growth information through January 2020. Removed the usage adjustment for classes T & T2 lighting

January Rebuttal

NC-0402 was separated into (a) Customer Growth versus (b) Usage adjustments.

For the Usage adjustments, removed Basic Facilities charge from the rate

NC-0403 was separated into Customer Growth versus Usage adjustments.

NC-0404 - Calculations excluding BFC and OPT added.

NC-0405 - Adopted Public Staff's adjustments to Other O&M

Supplemental Rebuttal

Updated NC-0405 General and Industrial to reflect the number of bills added to the test period for new accounts and the number of bills removed from the test period for closed accounts from DEC's customer-by-customer approach for calculating customer growth in alignment with the Public Staff

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

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail January - Rebuttal	Total NC Retail January - Supplemental	Total NC Retail Application	Total NC Retail Change
1							
2	Pro Formas Impacting Income Statement Line Items						
3							
4	Electric operating revenue	NC-0401	\$ 45,632	\$ 45,632	\$ 40,365	\$ 9,942	\$ 35,690
5							
6	Electric operating expenses:						
7	Operation and maintenance						
8	Fuel used in electric generation	NC-0401	10,900	10,900	8,942	2,775	8,125
9	Purchased power		-	-	-	-	-
10	Other operation and maintenance expense	NC-0401	2,969	3,074	153	39	2,930
11	Depreciation and amortization		-	-	-	-	-
12	General taxes		-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-
14	Income taxes	NC-0401	7,417	7,392	7,302	1,664	5,752
15	Amortization of investment tax credit		-	-	-	-	-
16							
17	Total electric operating expenses	Sum L8 through L15	21,286	21,366	16,397	4,478	16,807
18							
19	Operating income	L4 - L17	\$ 24,346	\$ 24,266	\$ 23,968	\$ 5,464	\$ 18,883
20							
21	Notes:						
22	Revenue: positive number increases revenue / negative number decreases revenue						
23	Expense: positive number increases expense / negative number decreases expense						
24							
25							
26	Pro Formas Impacting Rate Base Line Items						
27							
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization						
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-
31							
32	Add:						
33	Materials and supplies						
34	Working capital investment						
35							
36							
37	Less:						
38	Accumulated deferred taxes						
39	Operating reserves						
40							
41							
42	Construction work in progress						
43							
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -
45							
46	Note:						
47	Rate Base: positive number increases rate base / negative number decreases rate base						

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Line No.	Description	NC Residential	NC General Service Small and Large	NC General Miscellaneous SGS (BC)	NC Street Lighting T & T2	NC Street Lighting TS	NC Industrial	Total NC Retail	
1									
2	Customer growth and usage revenue adjustment	\$ 24,589	\$ 8,955	\$ (34)	\$ 577	\$ (43)	\$ 11,587	\$ 45,632	[1]
3	Impact to revenue (L2)	\$ 24,589	\$ 8,955	\$ (34)	\$ 577	\$ (43)	\$ 11,587	\$ 45,632	
4									
5	Proposed fuel and fuel related costs ¢/kWh (excluding EMF)	1.8126	1.9561	1.9561	1.9561	1.9561	1.8934		[2]
6	Customer growth and usage adjustment to kWh sales	189,293,223	181,514,623	(795,378)	3,326,514	(396,712)	204,726,471	577,668,741	
7	Impact to fuel (L5 x (L6 / 100,000))	\$ 3,431	\$ 3,551	\$ (16)	\$ 65	\$ (8)	\$ 3,876	\$ 10,899.779	
8									
9	Other O&M	\$ 1,780	\$ 470	\$ (2)	\$ 44	\$ 1	\$ 503	\$ 2,796	[6]
10									
11	<u>Calculation of NCUC Regulatory Fee and Uncollectibles</u>								
12	Uncollectibles Rate	0.25010%	0.25010%	0.25010%	0.25010%	0.25010%	0.25010%		[3]
13	Statutory regulatory fee percentage rate	0.12967%	0.12967%	0.12967%	0.12967%	0.12967%	0.12967%		[4]
14	Impact to O&M (L3 x (L12 + L13) + L9)	\$ 1,873	\$ 504	\$ (2)	\$ 46	\$ 1	\$ 547	\$ 2,969	
15									
16	Taxable income (L3 - L7 - L14)	\$ 19,285	\$ 4,901	\$ (16)	\$ 466	\$ (36)	\$ 7,164	\$ 31,763	
17									
18	Statutory tax rate	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	[5]
19	Impact to income taxes (L16 x L18)	\$ 4,503	\$ 1,144	\$ (4)	\$ 109	\$ (8)	\$ 1,673	\$ 7,417	
20									
21	Impact to operating income (L16 - L19)	\$ 14,782	\$ 3,757	\$ (12)	\$ 357	\$ (28)	\$ 5,491	\$ 24,346	

[1] NC-0402a + NC-0402b - Calculation of Customer Growth and Usage Revenue Adjustments

[2] NC-0202 - Proposed fuel and fuel related costs ¢/kWh (excluding EMF), Docket No. E-7, Sub 1190, McGee Exhibit 1, Line 9

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

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

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

[6] NC-0405 Customer Growth and Usage Adjustment to Other O&M

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Calculation of Customer Growth

Line No.	Rate Schedule	NC Proposed kWh Adjustment (a)	Cents Per kWh (b)	Revenue Adjustment (c) = (a) x (b)
1	NC Residential	669,161,324 [1]	8.46 [3]	\$ 56,624
2				
3	General Service Small and Large	137,235,271 [1]	6.96 [2]	9,558
4	Miscellaneous	139,189 [1]	15.68 [2]	22
5	NC General: Total (L3 + L4)	137,374,460		\$ 9,580
6				
7	T & T2	3,326,514 [1]	17.35 [2]	577
8	TS	121,672 [1]	16.92 [2]	21
9	NC Street Lighting: Total (L7 + L8)	3,448,186		\$ 598
10				
11	NC Industrial: Total	147,082,334 [1]	5.59 [2]	\$ 8,224
12				
13		<u># of Customers</u>	<u>BFC</u>	
14	NC Residential Change in number of customers	612,194	14.00 [4]	\$ 8,571
15				
16	NC Retail: Total (L1 + L5 + L9 + L11 + L14)			<u>\$ 83,597</u>

[1] NC-0403 - Customer Growth and Usage Adjustment to kWh Sales

[2] NC-0404 - Present Revenues Annualized and Per Book kWh Sales - North Carolina Retail

[3] NC-0404 - Present Revenues Annualized excluding Basic Facilities Charge and Per Book kWh Sales - North Carolina Retail

[4] Residential Basic Facilities Charge \$14

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Calculation of Customer Usage Revenue Adjustment

Line No.	Rate Schedule	NC Proposed kWh Adjustment (a)	Cents Per kWh (b)	Revenue Adjustment (c) = (a) x (b)
1	NC Residential (L1 + L2)	(479,868,101) [1]	8.46 [2]	\$ (40,606)
2				
3	General Service Small and Large			
4	General Service (OPT only)	183,643,203 [1]	5.75 [2]	10,564
5	General Service (non-OPT only)	(139,363,851) [1]	8.01 [2]	(11,167)
6	Miscellaneous	(934,567) [1]	5.95 [2]	(56)
7	NC General: Total (L3 + L6)	43,344,785		\$ (658)
8				
9	T & T2	- [1]	17.35 [2]	-
10	TS	(518,384) [1]	12.21 [2]	(63)
11	NC Street Lighting: Total (L9 + L10)	(518,384)		\$ (63)
12				
13	Industrial	-		
14	Industrial (OPT only)	39,988,349 [1]	5.27 [2]	2,109
15	Industrial (non-OPT only)	17,655,788 [1]	7.10 [2]	1,254
16	NC Industrial: Total	57,644,137		\$ 3,363
17				
18	NC Retail: Total (L1 + L7 + L11 + L16)	<u>\$ (379,397,562)</u>		<u>\$ (37,965)</u>

[1] NC-0403 - Customer Growth and Usage Adjustment to kWh Sales

[2] NC-0404 - Present Revenues Annualized excluding Basic Facilities Charge and Per Book kWh Sales - North Carolina Retail

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Customer Growth and Usage Adjustment to kWh Sales

Test Period + 12 Months

Line No.	Rate Schedule	NC Proposed Customer Growth kWh Adjustment	NC Proposed Change in Usage kWh Adjustment	NC Proposed kWh Adjustment
1				
2	NC Residential	669,161,324	(479,868,101)	189,293,223
3				
4	NC General:			
5	General Service Small and Large	137,235,271		137,235,271
6	General Service (OPT only)		183,643,203	183,643,203
7	General Service (non-OPT only)		(139,363,851)	(139,363,851)
8	Miscellaneous	139,189	(934,567)	(795,378)
9	Total General	137,374,460	43,344,785	180,719,245
10				
11	NC Public Street Lighting:			
12	T & T2	3,326,514		3,326,514
13	TS	121,672	(518,384)	(396,712)
14	Total Street Lighting	3,448,186	(518,384)	2,929,802
15				
16	NC Industrial:			
17	Industrial	147,082,334		147,082,334
18	Industrial (OPT only)		39,988,349	39,988,349
19	Industrial (non-OPT only)		17,655,788	17,655,788
20	Total Industrial	147,082,334	57,644,137	204,726,471
21				
22				
23	Total	957,066,303	(379,397,562)	577,668,741

Notes:

Two approved methods are used for estimating the growth adjustment depending on the class/schedule

"Regression" refers to the use of Ordinary Least Squares Regression

"Customer" refers to the use of the Customer by Customer approach

Information provided by Duke Energy Carolinas Rate Design

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Supplemental Rebuttal

Billed Revenues and Present Revenues Annualized - North Carolina Retail

			North Carolina Retail					
Line No.	Group	Description	Present Revenues Annualized	Basic Facilities Charge	Present Revenue Excluding Basic Facilities	Per Book kWh Sales [2]	All-Inclusive ¢ / kWh	w/o BFC ¢ / kWh
1								
2	Residential:	RS - Residential Service	1,284,911,226	(170,002,367)	1,114,908,859	12,770,077,451		
3		ES - Energy Star	12,173,564	(1,455,441)	10,718,122	120,905,311		
4		RE - Electric Water Heating and Space Conditioning	915,282,512	(121,772,379)	793,510,133	9,780,681,958		
5		RE-ESA - Energy Star	3,848,399	(529,698)	3,318,701	41,424,066		
6		RT - Residential Service, Time of Use	4,077,140	(328,232)	3,748,908	49,940,125		
7	Residential: Total		2,220,292,841	(294,088,116)	1,926,204,724	22,763,028,911	9.75	8.46
8	General:	SGS - Small General Service	455,242,733	(51,912,272)	403,330,462	4,500,519,842		
9		SGSCATV - Small General Service	4,657,664	(2,114,698)	2,542,966	50,651,695		
10		LGS - Large General Service	376,184,722	(2,624,211)	373,560,511	5,130,566,670		
11	OPT - G	OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	190,231,067	(19,500)	190,211,567	3,607,269,535		
12		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	23,399,929	(17,129)	23,382,801	417,169,338		
13		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	11,000,796	(39,352)	10,961,443	202,612,504		
14		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	41,923,082	(8,435)	41,914,647	769,828,955		
15		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	63,473,610	(50,699)	63,422,911	1,089,739,374		
16		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	414,386,352	(6,108,378)	408,277,974	6,575,623,038		
17		OPT-V-T - Optional Power Service-Time of Use with Voltage Differential	46,442,756	(1,123)	46,441,633	975,215,550		
18		OPT-EG	1,023,151	(399)	1,022,752	20,012,800		
19	HP	HPLGS	701,127		701,127	11,434,576		
20		HP-OPTVG (standby excluded)	4,335,546		4,335,546	103,290,772		
21		HP-OPTVG (standby charges)	490,278		490,278			
22	General: OPT Only		791,880,743	(6,245,014)	785,635,729	13,657,471,094		5.75
23	General: Non-OPT Only		841,612,070	(56,851,181)	784,760,889	9,796,463,555		8.01
24	General: Total		1,633,492,813	(62,896,195)	1,570,596,618	23,453,934,649	6.96	6.70
25	Miscellaneous:	BC - Building Construction Service	2,534,095	(1,572,784)	961,311	16,159,670	15.68	5.95
26	OPT - I	OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	256,905,512	(32,050)	256,873,463	5,080,509,244		
27		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	13,247,804	(8,038)	13,239,766	244,380,680		
28		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	7,099,896	(8,099)	7,091,798	180,146,666		
29		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	108,960,913	(22,052)	108,938,861	2,088,573,304		
30		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	80,880,912	(60,531)	80,820,381	1,410,849,158		
31		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	71,977,271	(301,065)	71,676,206	1,175,951,129		
32		OPT-V-T - Optional Power Service-Time of Use with Voltage Differential	12,008,128	(386)	12,007,742	261,404,000		
33	HP	HPI	72,517		72,517	1,427,133		
34		HP-OPTVI (standby excluded)	3,927,608		3,927,608	65,598,462		
35		HP-OPTVI (standby charges)	113,258		113,258	-		
36	Industrial:	I - Industrial Service	146,840,106	(853,789)	145,986,317	2,046,808,938		
37		PG - Parallel Generation	45,198	(4,625)	40,573	100,500		
38	Industrial: OPT Only		551,080,436	(432,221)	550,648,216	10,441,814,181		5.27
39	Industrial: Non-OPT Only		150,998,687	(858,414)	150,140,273	2,113,935,033		7.10
40	Industrial: Total		702,079,123	(1,290,635)	700,788,489	12,555,749,214	5.59	5.58
41	Lighting:	PL - Street and Public Lighting Service	27,263,723			232,673,040		
42		GL - Governmental Lighting Service	2,953,173			18,709,804		
43		OL - Outdoor Lighting Service	72,464,299			322,381,128		
44		FL - Flood Lighting Service	15,608,277			107,709,339		
45		S - Unmetered Sign (Nantahala)	3,100			-		
46		NL - Nonstandard Lighting Service	14,755			275,017		
47	T & T2 Total		118,307,327			681,748,328	17.35	
48	TS	TS - Traffic Signal Service	1,706,335	(475,266)	1,231,069	10,081,816	16.92	12.21
49	Grand Total		4,678,412,534	(360,322,996)	4,199,782,211	59,480,702,588		

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Customer Growth and Usage Adjustment to Other O&M

Line No.		<u>Adjustment to</u> <u>MWH Sales</u>	<u>O&M</u> <u>Per MWH</u>	<u>Adjustment</u>
1	<u>Energy related non fuel O&M</u>			
2	Residential	189,293	\$2.46 [1]	\$ 466
3	General Service	181,515	\$2.46	447
4	Miscellaneous	(795)	\$2.46	(2)
5	Lighting T & T2	3,327	\$2.46	8
6	Lighting TS	(397)	\$2.46	(1)
7	Industrial	204,726	\$2.46	504
8	Total	<u>577,669</u>		<u>\$ 1,422</u>
9				

	<u>Test Year</u> <u>Number of bills</u>	<u>Projected</u> <u>Number of Bills</u> <u>at End of</u> <u>Extended Period</u>	<u>Change in number of</u> <u>bills</u>	<u>Cost per</u> <u>bill</u>	<u>Adjustment</u>
10	<u>Customer related variable O&M</u>				
11	Residential	20,636,578	21,248,772	612,194	\$2.15 [2] \$ 1,314
12	General Service	3,127,951	3,138,828	10,877	\$2.15 23
13	Miscellaneous	92,201	92,268	67	\$2.15 0
14	Lighting T & T2	3,421,490	3,438,204	16,714	\$2.15 36
15	Lighting TS	70,965	71,784	819	\$2.15 2
16	Industrial	57,951	57,638	(313)	\$2.15 (1)
17	Total	<u>27,407,136</u>	<u>28,047,494</u>	<u>640,358</u>	<u>\$ 1,374</u>
18					
19	Total Adjustment				<u><u>\$ 2,796</u></u>

Notes

[1] Public Staff Witness Boswell Supplemental and Stipulation Sch 3-1 Var O&M Rate Line 25

[2] Public Staff Witness Boswell Supplemental and Stipulation Sch 3-1 Bill-Related Rate Line 20

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust O&M for executive compensation
For the test period ended December 31, 2018

NC-0700
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expense and income taxes for officers' compensation.

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

Eliminate 50% of the compensation of the Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Legal Officer (CLO) and Customer and Delivery Operations and President, Carolinas Region allocated to Duke Energy Carolinas in the test period.

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

Supplemental Rebuttal

Removing 50% of the top 5 executives benefits per settlement.

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Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-0701	(3,523)	(3,301)	(222)
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-0701	823	771	52
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(2,700)	(2,530)	(170)
18					
19	Operating income	L4 - L17	\$ 2,700	\$ 2,530	\$ 170
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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Adjust O&M for executive compensation
For the test period ended December 31, 2018
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Supplemental Rebuttal

Line No.	Description	CEO and Other Group Execs
1		
2	Compensation charged to Duke Energy Carolinas - 12 Months Ended Dec. 31, 2018	\$ 10,990 [1]
3	Executive benefits agreed to include in settlement	738 [6]
4	Compensation charged to A&G (L2 + L3)	\$ 11,728
5	Catawba reimbursement allocation rate	13.988% [2]
6	Non-ownership percentage in Catawba plant	80.754% [2]
7	Costs reimbursed by Catawba Joint Owners (L4 x L5 x L6)	\$ 1,325
8		
9	Compensation net of Joint Owners' share (L4 - L7)	\$ 10,403
10	NC Retail Allocation Factor - All - Labor	67.7195% [3]
11	NC Retail compensation (L9 x L10)	\$ 7,045
12	Exclusion percentage	50.00% [4]
13	Impact to O&M (-L11 x L12)	\$ (3,523)
14		
15	Statutory tax rate	23.3503% [5]
16	Impact to income taxes (-L13 x L15)	\$ 823
17		
18	Impact to operating income (-L13 - L16)	\$ 2,700

[1] Information provided by Duke Energy Corporate Accounting

[2] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended Dec 31, 2018, Lines 20 and 24

[3] Allocation Factor - All - Labor

[4] The percentage of compensation for the top five executive's compensation to be eliminated from the test year

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

[6] Boswell Supplemental and Stipulation Exhibit 1, Schedule 3-1(h), Line 2

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize O&M non-labor expenses
For the test period ended December 31, 2018

NC-1200
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

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

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

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

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

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

September Update

Updated NC-1203, NC-1204 and NC-1205 for index values through September 2019.

October Update

Updated NC-1203, NC-1204 and NC-1205 for index values through October 2019.

November Update

Updated NC-1203, NC-1204 and NC-1205 for index values through November 2019.

Updated NC-1201 for revised atypical severance costs in 2018 per NC2000(C).

December Update

Updated NC-1203, NC-1204 and NC-1205 for index values through December 2019.

Updated NC-1201 to remove CPRE related O&M in 2018 per NC0600(D).

January

Index values through January 2020 for NC-1203, NC-1204 and NC-1205 are currently not available.

January Rebuttal

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

Added adjustments for changes in other proformas that impact test year O&M.

Supplemental Rebuttal

Updated NC-1201 for settlement items removed in NC3600(G) and updated adjustments to align with the settlement.

NC-1200
Page 1 of 1
Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail Rebuttal	Total NC Retail Supplemental	Total NC Retail Application	Total NC Retail Change
1							
2	Pro Formas Impacting Income Statement Line Items						
3							
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -
5							
6	Electric operating expenses:						
7	Operation and maintenance						
8	Fuel used in electric generation		-	-	-	-	-
9	Purchased power		-	-	-	-	-
10	Other operation and maintenance expense	NC-1201	7,780	7,927	2,631	2,631	5,150
11	Depreciation and amortization		-	-	-	-	-
12	General taxes		-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-
14	Income taxes	NC-1201	(1,817)	(1,851)	(614)	(614)	(1,202)
15	Amortization of investment tax credit		-	-	-	-	-
16							
17	Total electric operating expenses	Sum L8 through L15	5,964	6,076	2,017	2,017	3,947
18							
19	Operating income	L4 - L17	\$ (5,964)	\$ (6,076)	\$ (2,017)	\$ (2,017)	\$ (3,947)
20							
21	Notes:						
22	Revenue: positive number increases revenue / negative number decreases revenue						
23	Expense: positive number increases expense / negative number decreases expense						
24							
25							
26	Pro Formas Impacting Rate Base Line Items						
27							
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization						
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-
31							
32	Add:						
33	Materials and supplies		-	-	-	-	-
34	Working capital investment		-	-	-	-	-
35			-	-	-	-	-
36							
37	Less:						
38	Accumulated deferred taxes		-	-	-	-	-
39	Operating reserves		-	-	-	-	-
40							
41							
42	Construction work in progress		-	-	-	-	-
43							
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -
45							
46	Note:						
47	Rate Base: positive number increases rate base / negative number decreases rate base						

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For the test period ended December 31, 2018
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NC-1201
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Supplemental Rebuttal

Line No.	Description	Total Carolinas (a)	NC Retail Allocation (b)	Total NC Retail (c)
1				
2				
3	O&M (excluding fuel and purchased power)	\$ 2,029,601 [1]		\$ 1,375,939 [1]
4				
5	Less: reagents expense and proceeds from sale of by-products	(33,229) [2]		(21,892) [2]
6	Less: energy efficiency, demand side program & other solar costs	(160,264) [3]		(117,372) [3]
7	Less: nuclear refueling outage costs	(54,681) [4]	100.0000% [4]	(54,681) [4]
8	Less: aviation expenses	(3,402) [5]		(2,304) [5]
9	Less: severance and retention costs	(102,108) [6]		(69,147) [6]
10	Less: vegetation management expenses - distribution	(56,457) [7]	73.6369% [8]	(41,573) [8]
11	Less: vegetation management expenses - transmission	(11,379) [7]	52.6634% [9]	(5,992) [9]
12	Less: NCUC regulatory fee	(6,452) [10]		(6,452) [10]
13	Less: rate case amortizations	(676) [10]		(676) [10]
14	Less: outside tax services contract	(897) [15]	67.7195% [12]	(607) [12]
15	Less: expiring amortizations	(16) [16]		(11) [16]
16	Less: merger related costs	(8,094) [17]		(5,530) [17]
17	Less: hydro station transfer costs and direct O&M	(2,317) [18]		(1,560) [18]
18	Less: retired hydro plants O&M	(150) [19]		(101) [19]
19	Less: advertising expense agreed to remove	(230) [19]		(175) [19]
20	Less: uncollectibles adjusted elsewhere	(16,638) [20]		(12,692) [20]
21	Add: adjustment to variable O&M expense changes in customer growth	(105) [21]		(105) [21]
22	Less: certain sponsorships removed in settlement	(136) [23]		(92) [23]
23	Less: amounts defined by PS as lobbying removed in settlement	(3,352) [23]		(2,270) [23]
24	Less: certain board of director expenses removed in settlement	(2,832) [23]		(1,910) [23]
25	Total O&M to be adjusted including labor (Sum L3 through L24)	\$ 1,566,185		\$ 1,030,796
26				
27	Net electric O&M salaries and wages	\$ 843,249 [11]		
28	Fringe benefits contribution rate	10.46% [11]		
29	Fringe benefits (L27 x L28)	\$ 88,204		
30				
31	Less: net electric O&M salaries & wages and fringe benefits (L27 + L29)	\$ 931,453	67.7195% [12]	\$ 630,775
32				
33	Total non-labor O&M to be adjusted (L25 - L31)	\$ 634,732		\$ 400,020
34	Average inflation rate	1.95% [13]		1.95% [13]
35	Impact to O&M (L33 x L34)	\$ 12,346		\$ 7,780
36				
37	Statutory tax rate	23.3503% [14]		23.3503% [14]
38	Impact to income taxes (-L35 x L37)	\$ (2,883)		\$ (1,817)
39	Impact to operating income (-L35 - L38)	\$ (9,463)		\$ (5,964)

[1] McManeus Exhibit 1, Other O&M, Page 1, Line 4, Columns 1 and 2

[2] NC-0201 - Update fuel costs to approved rate

[3] NC-0601 - Adjust for costs recovered through non-fuel riders

[4] NC-1501 - Levelize nuclear refueling outage costs

[5] NC-1701 - Adjust aviation expenses

[6] NC-2001 - Amortize severance costs - Actuals

[7] NC-2702 - Vegetation management adjustment - distribution and transmission

[8] Allocation Factor - All - Dist Plt OH - DEC

[9] Allocation Factor - All Transmission Demand

[10] E-1 Item 45A, Cost of Service, Summer CP, Included in '920-935 A&G EXP-928 REG FEE-NCUC' and '920-935 A&G EXP-928

RATE CASE AMORT-NCR'

[11] NC-1301, Normalize O&M labor expenses, Line 16 and Line 37

[12] Allocation Factor - All - Labor

[13] NC-1202 - Average of Consumer Price Index and Producer Price Index, Line 19

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

[15] NC-1311 - Adjustment to Annualize Ernst & Young outside tax services contract, Line 2

[16] NC-1801 - Adjust for approved regulatory assets and liabilities, Line 3

[17] NC-1901 - Adjust for Merger Related Costs, Line 4

[18] NC-3201 - Adjust for Hydro Stations Sale

[19] NC-3401 - Remove certain test year expenses

[20] E-1 Item 45A, Cost of Service, Summer CP, 904 CUST ACCTS EXP-UNCOLLECT. ACCTS

[21] Boswell Supplemental and Stipulation Exhibit 1, Schedule 3-1 (v), Line 3

[22] NC-2501 - Adjust for credit card fees

[23] NC-3601 - Remove certain settlement items

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Supplemental Rebuttal

Average of Consumer Price Index and Producer Price Index

Line No.	Period	CPI [1] (a)	PPI [2] Finished goods less food & energy (b)	PPI [3] Processed materials less food & energy (c)	PPI Average (d)= Average of (b) and (c)
1	December 2017	246.524	200.6	196.3	
2	January 2018	247.867	200.9	197.2	
3	February 2018	248.991	201.3	198.3	
4	March 2018	249.554	201.8	199.3	
5	April 2018	250.546	202.3	199.8	
6	May 2018	251.588	202.7	201.3	
7	June 2018	251.989	203.1	202.3	
8	July 2018	252.006	203.7	203.0	
9	August 2018	252.146	204.2	203.7	
10	September 2018	252.439	204.6	204.5	
11	October 2018	252.885	205.1	204.8	
12	November 2018	252.038	205.6	204.2	
13	December 2018	251.233	205.8	203.1	
14					
15	January 2020	257.971	209.1	199.6	
16					
17	13 month average	250.8	203.2	201.4	
18					
19	Increase from average to year end (L13 - L17)	7.2	5.9	(1.8)	
20	% increase from average to year end (L19 / L17)	2.88%	2.90%	-0.88%	1.01%
21	Average inflation rate (Average, Line 18, Col. (a) and Col. (d))	1.95%			

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

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

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

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NC-1203
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Supplemental Rebuttal

Consumer Price Index - All Urban Consumers
Original Data Value

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.736
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	240.007
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	251.107
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	255.657
2020	257.971												

Source: Bureau of Labor Statistics

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Supplemental Rebuttal

Producer Price Index-Commodities
Original Data Value

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	170.8	170.9	171.2	171.3	171.2	171.8	171.4	171.8	171.6	171.5	172.1	172.1	171.5
2010	172.5	172.6	172.9	172.9	173.4	173.6	173.7	173.9	174.3	174.3	174.3	174.6	173.6
2011	175.3	175.7	176.2	176.8	177.0	177.6	178.2	178.5	179.0	179.4	179.6	180.0	177.8
2012	180.7	181.0	181.3	181.6	181.8	182.1	182.9	183.2	183.2	183.3	183.7	183.7	182.4
2013	183.9	184.2	184.4	184.6	184.8	185.0	185.2	185.3	185.4	185.6	185.9	186.7	185.1
2014	187.5	187.7	187.7	187.9	188.2	188.5	188.7	189.0	189.2	189.7	189.7	189.8	188.6
2015	190.7	191.3	191.5	191.6	191.8	192.7	193.0	193.0	193.2	193.0	193.1	193.4	192.4
2016	193.9	194.2	194.3	194.6	194.9	195.4	195.4	195.7	195.8	196.1	196.3	196.7	195.3
2017	197.1	197.4	197.8	198.5	198.6	198.8	198.9	199.2	199.2	200.0	200.5	200.6	198.9
2018	200.9	201.3	201.8	202.3	202.7	203.1	203.7	204.2	204.6	205.1	205.6	205.8	203.4
2019	206.6	206.8	207.2	207.4	207.7	207.8	208.1	208.2	208.4	208.4	208.7	209.0	207.9
2020	209.1												

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

Source: Bureau of Labor Statistics

Duke Energy Carolinas, LLC
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Annualize O&M non-labor expenses
For the test period ended December 31, 2018

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Supplemental Rebuttal

Producer Price Index-Commodities
Original Data Value

Series Id: WPSID69115

Seasonally Adjusted

Group: Intermediate demand by commodity type

Item: Processed materials less foods and energy

Base 198200

Date:

Years: 2009 to 2019

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	174.8	173.5	172.7	171.8	171.4	171.8	172.2	173.2	174.2	174.5	174.9	175.9	173.4
2010	177.0	178.4	179.6	181.4	181.8	180.9	180.2	180.5	180.9	182.0	183.1	184.1	180.8
2011	186.6	188.8	190.2	192.4	193.5	193.7	194.2	194.2	194.2	193.0	192.3	191.3	192.0
2012	192.0	193.2	194.5	194.7	194.1	191.9	191.2	191.3	192.0	192.2	192.1	192.6	192.7
2013	193.7	194.7	194.4	193.9	193.6	193.5	193.3	193.7	193.7	193.6	193.6	194.0	193.8
2014	194.6	195.2	194.8	195.1	195.0	195.1	195.9	196.3	196.3	195.8	194.9	193.9	195.2
2015	191.8	191.1	190.5	190.1	190.1	190.2	190.0	189.1	188.1	187.7	187.1	186.6	189.4
2016	185.8	185.2	185.1	185.7	186.2	186.6	186.9	187.4	187.7	188.0	188.7	189.4	186.9
2017	190.0	191.3	192.1	192.9	192.8	193.1	192.9	193.5	194.2	195.0	196.0	196.3	193.3
2018	197.2	198.3	199.3	199.8	201.3	202.3	203.0	203.7	204.5	204.8	204.2	203.1	201.8
2019	203.1	202.7	202.4	202.2	201.7	201.1	200.7	200.0	199.7	199.9	199.4	199.1	201.0
2020	199.6												

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

Source: Bureau of Labor Statistics

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Normalize O&M labor expenses
For the test period ended December 31, 2018

NC-1300
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

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

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

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

September Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended September 2019
NC 1310 - applies the updated Catawba percentage on 2019 figures.

October Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended October 2019
NC 1310 - applies the updated Catawba percentage on 2019 figures.

November Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended November 2019
NC 1310 - applies the updated Catawba percentage on 2019 figures.

December Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended December 2019
NC 1310 - applies the updated Catawba percentage on 2019 figures.
NC 1311 - Updated with actual 2019 E&Y Expenses

January Update

NC-1304, NC1305, NC 1303 (Update) have all been updated for 12 months ended January 2020
NC 1310 - applies the updated Catawba percentage on 2019 figures.

Supplemental Rebuttal

Added tab NC-1312 and adjusted NC 1310 to reflected the adjustment to STIP and LTIP as agreed to in the Settlement agreement.

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NC-1300
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Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail January Supplemental	Total NC Retail Application	Total NC Retail Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-1301	(36,052)	(28,093)	(23,765)	(12,287)
11	Depreciation and amortization		-	-	-	-
12	General taxes	NC-1301	(1,507)	(1,507)	(1,162)	(346)
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-1301	8,770	6,912	5,820	2,950
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(28,789)	(22,688)	(19,106)	(9,683)
18						
19	Operating income	L4 - L17	\$ 28,789	\$ 22,688	\$ 19,106	\$ 9,683
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization					
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	-	-	-
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes		-	-	-	-
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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Normalize O&M labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1301
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Supplemental Rebuttal

Line No.	Description	Labor Per Books	As of 1/31/2020 HR Salaries	Pro Forma HR salaries
1				
2	<u>Salaries and Wages by Payroll Company</u>			
3	Duke Energy Carolinas - salaries and wages - charged to Duke Energy Carolinas	\$ 697,465 [1]	\$ 663,040 [2]	\$ (34,425)
4	Service Company (DEBS) - salaries and wages - charged to Duke Energy Carolinas	200,403 [1]	187,015 [2]	(13,387)
5	Duke Energy Progress - salaries and wages - charged to Duke Energy Carolinas	29,217 [1]	27,658 [2]	(1,559)
6	Total salaries and wages (Sum L3 through L5)	\$ 927,084	\$ 877,713	\$ (49,372)
7				
8	<u>Calculation of Electric O&M % to Apply to Salaries & Wages Adjustment</u>			
9	Total salaries and wages (Form 1, Page 355, Line 96, Col (d))	\$ 1,295,173 [4]		
10	Less: other work in progress (Form 1, Page 355, Line 79, Col (b))	7,156 [4]		
11	Less: allocation of payroll charged for clearing accounts (Form 1, Page 355, Line 96, Col (c))	26,285 [4]		
12	Total salaries and wages - excl. other WIP & allocation of clearing accounts (L9 - L10 - L11)	\$ 1,261,732		
13				
14	Total operating and maintenance (Form 1, Page 354, Line 28, Col (b))	\$ 977,425 [4]		
15	Less: reimbursement of electric O&M by Catawba Joint Owners	134,176 [3]		
16	Net electric O&M salaries and wages (L14 - L15)	\$ 843,249		
17				
18	Percent of incurred costs charged to electric expense (L16 / L12)	66.83%		66.83%
19	Net electric O&M salaries and wages to adjust (L6 x L18)			\$ (32,995)
20				
21	<u>Adjustment to General Taxes - FICA</u>			
22	Net electric O&M salaries and wages to adjust (L19)			\$ (32,995)
23	Percentage of wages subject to OASDI			85.42% [5]
24	Electric wage adjustment subject to OASDI tax (L22 x L23)			\$ (28,184)
25	OASDI tax rate (employers)			6.20% [6]
26	Adjustment due to wage adjustment (before Medicare rate) (L24 x L25)			\$ (1,747)
27				
28	Net electric O&M salaries and wages to adjust (L19)			\$ (32,995)
29	Medicare tax rate			1.45% [6]
30	Adjustment due to Medicare tax (L28 x L29)			\$ (478)
31				
32	Impact to general taxes (L26 + L30)			\$ (2,226)
33				
34	<u>Calculation of Fringe Benefits Contribution Rate</u>			
35	Account 926 - employee pensions and benefits - 12 Months Ended December 31, 2018	\$ 102,240 [7]		
36	Total operating and maintenance (Form 1, Page 354, Line 28, Col (b)) (L14)	977,425		
37	Fringe benefits contribution rate (L35 / L36)	10.46%		

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Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
38				
39	<u>Calculation of O&M (Including Fringe Benefits & Variable Pay) and Income Tax</u>			
40	Net electric O&M salaries and wages to adjust (L19)	\$ (32,995)		
41	Fringe benefits contribution rate (L37)	10.4600%		
42	Fringe benefits adjustment (L40 x L41)	\$ (3,451)		
43				
44	Adjustment to restate variable short and long term pay at target NC-1310	\$ (18,537) [8]		
45	Adjustment to Annualize E&Y Tax Service Contract NC-1311	1,746 [9]		
46				
47	Impact to O&M (L40 + L42 + L44 + L45)	\$ (53,237)	67.7195% [10]	\$ (36,052)
48				
49	Impact to general taxes (L32)	\$ (2,226)	67.7195% [10]	\$ (1,507)
50				
51	Taxable income (-L47 - L49)	\$ 55,463		\$ 37,559
52	Statutory tax rate	23.3503% [11]		23.3503% [11]
53	Impact to income taxes (L51 x L52)	\$ 12,951		\$ 8,770
54				
55	Impact to operating income (L51 - L53)	\$ 42,512		\$ 28,789

[1] NC-1302 - Salaries and Wages by Payroll Company for Duke Energy Carolinas - 12 Months Ended Dec. 31, 2018

[2] NC-1304 - Annual Salary Information by Payroll Company for Duke Energy Carolinas at January 31, 2020

[3] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended Dec 31, 2018, Line 10

[4] NC-1306 - Distribution of Salaries and Wages, 12 Months Ended December 31, 2018 (Form 1, Page 354-355)

[5] NC-1307 - Quarterly Federal Tax Summary Report (Report ID: TAX010FD), Line 22

[6] NC-1308 - OASDI and SSI Program Rates & Limits - 2019

[7] NC-1309 - Duke Energy Carolinas - (926) Employee Pensions and Benefits - 12 Months Ended December 31, 2018

[8] NC-1310 - Variable Short and Long Term Pay for Duke Energy Carolinas - 12 Months Ended December 31, 2018

[9] NC-1311 - Adjustment to Annualize Ernst & Young outside tax services contract, Line 3

[10] Allocation Factor - Labor [Wage and Salary Related Items] (Factor 59)

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

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

Line No.	Payroll Company	Resource Category	Capital	O&M	Total	Percentage
1						
2	Duke Energy Carolinas (Payroll Company 100)	Direct Labor	\$ 159,969,598	\$ 420,023,573	\$ 579,993,171	83.1573%
3	Duke Energy Carolinas (Payroll Company 100)	Allocated Labor	33,242,789	84,228,819	117,471,608	16.8427%
4	Subtotal		\$ 193,212,387	\$ 504,252,393	\$ 697,464,780	100.0000%
5						
6	Service Company (Payroll Co. 110) - charged to DE Carolinas	Direct Labor	\$ 50,335,064	\$ 120,795,354	\$ 171,130,418	85.3933%
7	Service Company (Payroll Co. 110) - charged to DE Carolinas	Allocated Labor	9,582,370	19,689,741	29,272,111	14.6067%
8	Subtotal		\$ 59,917,434	\$ 140,485,095	\$ 200,402,529	100.0000%
9						
10	Duke Energy Progress (Payroll Co. 801) - charged to DE Carolinas	Direct Labor	\$ 5,713,158	\$ 17,540,585	\$ 23,253,744	79.5901%
11	Duke Energy Progress (Payroll Co. 801) - charged to DE Carolinas	Allocated Labor	1,066,658	4,896,468	5,963,126	20.4099%
12	Subtotal		\$ 6,779,816	\$ 22,437,054	\$ 29,216,870	100.0000%
13						
14	Total		<u>\$ 259,909,637</u>	<u>\$ 667,174,542</u>	<u>\$ 927,084,179</u>	

Source: Duke Energy Carolinas General Accounting and Reporting

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Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended December 31, 2018

Line No.	Description	Gross YTD Total	Catawba Reimbursement
1	O&M	\$ 145,563,811	\$ 117,548,600
2	A&G allocation	20,027,593	16,173,082
3	Capital retirements	642,980	519,232
4	Capital additions	16,116,215	13,014,488
5	Accounting & billing, operating	416,108	346,757
6	Accounting & billing, interconnect	258,270	107,612
7	Total (Sum L1 through L6)	<u>\$ 183,024,977</u>	<u>\$ 147,709,772</u>
8			
9		Less: capital retirements and additions (L3 + L4)	\$ 13,533,720
10		Total (excluding capital retirements and additions) (L7 - L9)	\$ 134,176,051
11			
12	<u>Calculation of Catawba Allocation Rate</u>		
13			
14	Total Catawba O&M labor expense (L1)	\$ 145,563,811	
15			
16	Duke Energy Carolinas total salaries & wages	\$ 1,295,172,502	[1]
17	Less: A&G salaries and wages	254,542,871	[2]
18	Total salaries and wages excluding A&G (L16 - L17)	<u>\$ 1,040,629,631</u>	
19			
20	Catawba reimbursement allocation rate (L14 / L18)	<u>13.988%</u>	
21			
22	NOTES:		
23	(a) Includes manual journals		
24	(b) Labor is reimbursed at 80.754% with these exceptions:		
25	- accounting & billing, operating \$ are reimbursed at 83.3333% and interconnect \$ are reimbursed at 50% of the 83.3333%		

[1] NC-1306 - Distr. of Salaries and Wages, 12 Months Ended Dec 31, 2018 (Form 1, Page 354-355), Page 2, Line 96, Col (d)

[2] NC-1306 - Distr. of Salaries and Wages, 12 Months Ended Dec 31, 2018 (Form 1, Page 354-355), Page 1, Line 27, Col (b)

Source: Duke Energy Catawba Joint Owner Accounting

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Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$) - 12 Months Ended January 31, 2020

Line No.	Description	Gross 12 Month End	[1]	Catawba Reimbursement
1	O&M	\$ 120,335,100		\$ 97,191,557
2	A&G allocation	19,838,782		16,020,610
3	Capital retirements	1,443,127		1,165,383
4	Capital additions	9,062,351		7,318,211
5	Accounting & billing, operating	423,990		353,325
6	Accounting & billing, interconnect	257,274		107,197
7	Total (Sum L1 through L6)	<u>\$ 151,360,624</u>		<u>\$ 122,156,283</u>
8				
9				
9	Less: capital retirements and additions (L3 + L4)			\$ 8,483,594
10	Total (excluding capital retirements and additions) (L7 - L9)			\$ 113,672,689
11				
12	<u>Calculation of Catawba Allocation Rate</u>			
13				
14	Total Catawba O&M labor expense (L1)	\$ 120,335,100		
15				
16	Duke Energy Carolinas total salaries & wages	\$ 1,173,075,377	[2]	
17	Less: A&G salaries and wages	176,951,688	[2]	
18	Total salaries and wages excluding A&G (L16 - L17)	<u>\$ 996,123,690</u>		
19				
20	Catawba reimbursement allocation rate (L14 / L18)	<u>12.080%</u>		
21				
22	NOTES:			
23	(a) Includes manual journals			
24	(b) Labor is reimbursed at 80.754% with these exceptions:			
25	- accounting & billing, operating \$ are reimbursed at 83.3333% and interconnect \$ are reimbursed at 50% of the 83.3333%			

[1] PS DR 33.5e Catawba Support Dec 2019

[2] FERC Form 1 by Line December, 2019.

Source: Duke Energy Catawba Joint Owner Accounting

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Annual Salary Information by Payroll Company for Duke Energy Carolinas at January 31, 2020

<u>Line</u> <u>No.</u>	<u>Payroll Company</u>	<u>Grand Total</u>
1		
2	Duke Energy Carolinas (Payroll Company 100)	\$ 797,281,773 [2]
3	Duke Energy Carolinas % of labor charged to Duke Energy Carolinas	83.1625% [1]
4	Duke Energy Carolinas labor charged to Duke Energy Carolinas (L2 x L3)	\$ 663,039,687
5		
6	Service Company (Payroll Company 110)	\$ 745,333,620 [2]
7	Service Company % of labor charged to Duke Energy Carolinas	25.0915% [1]
8	Service Company labor charged to Duke Energy Carolinas (L6 x L7)	\$ 187,015,281
9		
10	Duke Energy Progress (Payroll Company 801)	\$ 436,077,144 [2]
11	Duke Energy Progress % of labor charged to Duke Energy Carolinas	6.3424% [1]
12	Duke Energy Progress labor charged to Duke Energy Carolinas (L10 x L11)	\$ 27,657,566
13		
14	Total - sum of annual salaries (L4 + L8 + L12)	<u>\$ 877,712,534</u>

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

[2] Information provided by Duke Energy Human Resources Operations

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

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

Line No.	Resp Center Level 2 Node Name LVL	BU Group	Monetary Amount JD	Percentage
1				
2	100_DUKE_POWER_CONSO	1. DE Carolinas	\$ 666,157,301	83.1625%
3	100_DUKE_POWER_CONSO	2. DE Progress	81,860,874	10.2194%
4	100_DUKE_POWER_CONSO	3. DEBS	672,409	0.0839%
5	100_DUKE_POWER_CONSO	4. Other	52,340,011	6.5341%
6	100_DUKE_POWER_CONSO		<u>\$ 801,030,594</u>	<u>100.0000%</u>
7				
8	110_SERVICE_COMPANY	1. DE Carolinas	\$ 191,124,797	25.0915%
9	110_SERVICE_COMPANY	2. DE Progress	132,104,618	17.3431%
10	110_SERVICE_COMPANY	3. DEBS	48,194,786	6.3272%
11	110_SERVICE_COMPANY	4. Other	390,287,547	51.2382%
12	110_SERVICE_COMPANY		<u>\$ 761,711,747</u>	<u>100.0000%</u>
13				
14	801_DE_PROGRESS	1. DE Carolinas	\$ 28,455,118	6.3424%
15	801_DE_PROGRESS	2. DE Progress	412,006,670	91.8321%
16	801_DE_PROGRESS	3. DEBS	112,252	0.0250%
17	801_DE_PROGRESS	4. Other	8,078,126	1.8005%
18	801_DE_PROGRESS		<u>\$ 448,652,166</u>	<u>100.0000%</u>
19				
20	Total		<u>\$ 2,011,394,507</u>	

Source: Duke Energy Corporate Accounting

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Name of Respondent Duke Energy Carolinas, LLC		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report End of 2018/Q4
DISTRIBUTION OF SALARIES AND WAGES					
Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.					
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)	
1	Electric				
2	Operation				
3	Production	328,525,876			
4	Transmission	13,879,004			
5	Regional Market				
6	Distribution	33,336,404			
7	Customer Accounts	31,371,061			
8	Customer Service and Informational	8,491,989			
9	Sales	8,976,919			
10	Administrative and General	254,085,298			
11	TOTAL Operation (Enter Total of lines 3 thru 10)	678,666,551			
12	Maintenance				
13	Production	237,203,540			
14	Transmission	11,667,468			
15	Regional Market				
16	Distribution	49,429,661			
17	Administrative and General	457,573			
18	TOTAL Maintenance (Total of lines 13 thru 17)	298,758,242			
19	Total Operation and Maintenance				
20	Production (Enter Total of lines 3 and 13)	565,729,416			
21	Transmission (Enter Total of lines 4 and 14)	25,546,472			
22	Regional Market (Enter Total of Lines 5 and 15)				
23	Distribution (Enter Total of lines 6 and 16)	82,766,065			
24	Customer Accounts (Transcribe from line 7)	31,371,061			
25	Customer Service and Informational (Transcribe from line 8)	8,491,989			
26	Sales (Transcribe from line 9)	8,976,919			
27	Administrative and General (Enter Total of lines 10 and 17)	254,542,871			
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	977,424,793	5,141,951		982,566,744
29	Gas				
30	Operation				
31	Production-Manufactured Gas				
32	Production-Nat. Gas (Including Expl. and Dev.)				
33	Other Gas Supply				
34	Storage, LNG Terminaling and Processing				
35	Transmission				
36	Distribution				
37	Customer Accounts				
38	Customer Service and Informational				
39	Sales				
40	Administrative and General				
41	TOTAL Operation (Enter Total of lines 31 thru 40)				
42	Maintenance				
43	Production-Manufactured Gas				
44	Production-Natural Gas (Including Exploration and Development)				
45	Other Gas Supply				
46	Storage, LNG Terminaling and Processing				
47	Transmission				

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DUKE ENERGY CAROLINAS		December 31, 2018		
DISTRIBUTION OF SALARIES AND WAGES				
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
48	Distribution			
49	Administrative and General			
50	TOTAL Maintenance (Enter Total of lines 43 thru 49)	None		
51	Total Operation and Maintenance			
52	Production - Manufactured Gas (Enter Total of lines 31 and 43)			
53	Production - Natural Gas (Including Expl. and Dev.)			
54	Other Gas Supply (Enter Total of lines 33 and 45)			
55	Storage, LNG Terminating and Processing (Enter Total of lines 31 thru 47)			
56	Transmission (Enter Total of lines 35 and 47)			
57	Distribution (Enter Total of lines 36 and 48)			
58	Customer Accounts (Transcribe from line 37)			
59	Customer Service and Informational (Line 38)			
60	Sales (Line 39)			
61	Administrative and General (Lines 40 and 49)			
62	TOTAL Operation and Maintenance (Total of lines 52 thru 61)	None		
63	Other Utility Departments			
64	Operation and Maintenance	0		0
65	TOTAL All Utility Dept. (Total of lines 28, 62 & 64)	977,424,793	5,141,951	982,566,744
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	245,772,684	21,143,121	266,915,805
69	Gas Plant			
70	Other (provide details in footnote)	0		0
71	TOTAL Construction (Enter Total of lines 68 thru 70)	245,772,684	21,143,121	266,915,805
72	Plant Removal (By Utility Departments)			
73	Electric Plant	29,208,641		29,208,641
74	Gas Plant			
75	Other (provide details in footnote)	0		0
76	TOTAL Plant Removal (Total of lines 73 thru 75)	29,208,641		
77	Other Accounts (Specify, provide details in footnote):			
78	Non-Regulated Products & Services	4,695,780		4,695,780
79	Other Work in Progress	7,155,564		7,155,564
80	Other Accounts	4,629,968		4,629,968
95	TOTAL Other Accounts	16,481,312		16,481,312
96	TOTAL SALARIES AND WAGES	1,268,887,430	26,285,072	1,295,172,502

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Source: Duke Energy HR Operations

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

Line No.	Description	(a)	(b)	(c)	12 Months Ended Dec 31, 2018 (d)
1					
2	<u>Duke Energy Carolinas</u>				
3	100 Duke Energy Carolinas, LLC OASDI [ER] YTD Gross Wages				1,087,229,757 [1]
4	100 Duke Energy Carolinas, LLC OASDI [ER] YTD Taxable Wages				938,515,849 [1]
5	Percentage Total (L4 / L3)				86.3218%
6					
7	<u>Duke Energy Business Services</u>				
8	110 Duke Energy Business Services, LLC OASDI [ER] YTD Gross Wages				950,101,600 [2]
9	110 Duke Energy Business Services LLC OASDI [ER] YTD Taxable Wages				778,374,460 [2]
10	Percentage Total (L9 / L8)				81.93%
11					
12	<u>Duke Energy Progress</u>				
13	801 Duke Energy Progress, LLC OASDI [ER] YTD Gross Wages				613,149,643 [3]
14	801 Duke Energy Progress, LLC OASDI [ER] YTD Taxable Wages				539,237,877 [3]
15	Percentage Total (L14 / L13)				87.9456%
16					
17	<u>Calculation of Percentage of Wages Subject to OASDI</u>				
18	<u>For 12 Months Ended December 31, 2018</u>				
19	Duke Energy Carolinas	697,464,780 [4]	75.23% [5]	86.32% [8]	64.9417% [11]
20	Duke Energy Business Services	200,402,529 [4]	21.62% [6]	81.93% [9]	17.7093% [11]
21	Duke Energy Progress	29,216,870 [4]	3.15% [7]	87.95% [10]	2.7716% [11]
22	Total (Sum L19 through L21)	927,084,179	100.00%		85.4200%

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

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

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

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

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

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

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

[8] Column (d), Line 5

[9] Column (d), Line 10

[10] Column (d), Line 15

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

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Quarterly Federal Tax Summary Report - 100 - Duke Energy Carolinas, LLC

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

Duke Energy Carolinas, LLC
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Supplemental Rebuttal

OASDI and SSI Program Rates & Limits 2019

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

Tax Rates (percent)	
Social Security (Old-Age, Survivors, and Disability Insurance)	
Employers and Employees, each ^a	6.20
Medicare (Hospital Insurance)	
Employers and Employees, each ^{a,b}	1.45
Maximum Taxable Earnings (dollars)	
Social Security	132,900
Medicare (Hospital Insurance)	No limit
Earnings Required for Work Credits (dollars)	
One Work Credit (One Quarter of Coverage)	1,360
Maximum of Four Credits a Year	5,440
Earnings Test Annual Exempt Amount (dollars)	
Under Full Retirement Age for Entire Year	17,640
For Months Before Reaching Full Retirement Age in Given Year	46,920
Beginning with Month Reaching Full Retirement Age	No limit
Maximum Monthly Social Security Benefit for Workers Retiring at Full Retirement Age (dollars)	
	2,861
Full Retirement Age	66
Cost-of-Living Adjustment (percent)	2.8

a. Self-employed persons pay a total of 15.3 percent—12.4 percent for OASDI and 2.9 percent for Medicare.

b. This rate does not reflect the additional 0.9 percent in Medicare taxes certain high-income taxpayers are required to pay. See IRS information on this topic.

Supplemental Security Income (SSI)

Monthly Federal Payment Standard (dollars)	
Individual	771
Couple	1,157
Cost-of-Living Adjustment (percent)	2.8
Resource Limits (dollars)	
Individual	2,000
Couple	3,000
Monthly Income Exclusions (dollars)	
Earned Income ^a	65
Unearned Income	20
Substantial Gainful Activity (SGA) Level for the Nonblind Disabled (dollars)	1,220

a. The earned income exclusion consists of the first \$65 of monthly earnings, plus one-half of remaining earnings.



Office of Retirement and Disability Policy

www.ssa.gov/policy

Produced and published at U.S. taxpayer expense

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Supplemental Rebuttal

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

Line No.	Account & Description	Total
1		
2	0926000 - Employee Pensions and Benefits	\$ 245,276,637 [1]
3	0926420 - Employees' Tuition Refund	1,952 [1]
4	0926430 - Employees' Recreation Expense	79,872 [1]
5	0926600 - Employee Benefits - Transferred	(83,000,962) [1]
6	0926999 - Non Service Cost (ASU 2017-07)	(60,117,517) [1]
7	Total	<u>\$ 102,239,982</u>

[1] E-1 Item 2, Trial Balance

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Supplemental Rebuttal

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

Line No.	Description	Total Carolinas
1		
2	Level of variable short term pay - 2018	\$ 111,871 [1]
3	Level of variable long term pay - 2018	26,162 [2]
4	Total (L2 + L3)	<u>\$ 138,033</u>
5		
6	2018 Catawba reimbursement allocation rate	13.988% [4]
7	Non-ownership percentage in Catawba plant	80.7540% [4]
8		
9	Costs reimbursed by Catawba Joint Owners (L4 x L6 x L7)	15,592
10	Remaining variable short and long term pay (L4 - L9)	<u>\$ 122,441</u>
11		
12		
13	2019 target level of variable short term pay	\$ 100,694 [3]
14	2019 target level of variable long term pay	27,465 [2]
15	Total (L13 + L14)	<u>\$ 128,159</u>
16		
17	2019 Catawba reimbursement allocation rate	12.0800% [5]
18	Non-ownership percentage in Catawba plant (L7)	80.754%
19		
20	Estimated costs reimbursed by Catawba Joint Owners (L15 x L17 x L18)	(12,502)
21	Adjustment to STIP	(3,404)
22	Adjustment to LTIP	(8,350)
23	Remaining variable short and long term pay (L15 + L20+ L21+ L22)	<u>\$ 103,904</u>
24		
25	Adjustment to restate variable short and long term pay at target (L23 - L10)	<u>\$ (18,537)</u>

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

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

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

[4] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended December 31, 2018, Lines 20 and 24

[4] NC-1303 (Update)- Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended September 30, 2019, Lines 20 and 24

[5] NC-1303 (Update) 2019 Catawba Allocation Rate

Duke Energy Carolinas, LLC
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For the test period ended December 31, 2018

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Supplemental Rebuttal

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

Line No.	Description	Other Balance Sheet (a)	Capital (b)	O&M (c)	Total (d)
1					
2	<u>Direct Charge:</u>				
3	Duke Energy Commercial Enterprises	\$ 312	\$ 208	\$ 1,821	\$ 2,341
4	Duke Energy Business Services	4,100,745	3,751,110	15,394,484	23,246,339
5	Duke Energy Carolinas	5,927,462	16,043,481	78,169,867	100,140,810
6	Duke Energy Indiana	9	15,413	70,314	85,736
7	Duke Energy Kentucky	-	12	5,129	5,142
8	Duke Energy Ohio	265	658	27,936	28,860
9	Piedmont Natural Gas	2,608	63	36,649	39,320
10	Duke Energy Progress	108,389	712,593	1,855,844	2,676,826
11	Duke Energy Florida	9,426	50,783	318,990	379,199
12	Direct Charge Total (Sum L3 through L11)	<u>\$ 10,149,217</u>	<u>\$ 20,574,322</u>	<u>\$ 95,881,035</u>	<u>\$ 126,604,574</u>
13					
14	% split between capital and O&M for direct charges		17.6671%	82.3329%	100.0000%
15					
16	<u>Service Company Allocation:</u>				
17	Duke Energy Commercial Enterprises	\$ -	\$ -	\$ 441	\$ 441
18	Duke Energy Business Services	-	217,642	12,078,469	12,296,111
19	Duke Energy Carolinas	-	28,258	(4,892,829)	(4,864,571)
20	Duke Energy Indiana	-	39	2,211	2,250
21	Duke Energy Kentucky	-	-	-	-
22	Duke Energy Ohio	-	-	(0)	(0)
23	Piedmont Natural Gas	-	-	(10,648)	(10,648)
24	Duke Energy Progress	-	5,399	552,836	558,235
25	Duke Energy Florida	-	1,551	(97,139)	(95,589)
26	Service Company Allocation Total (Sum L17 through L25)	<u>\$ -</u>	<u>\$ 252,889</u>	<u>\$ 7,633,341</u>	<u>\$ 7,886,230</u>
27					
28	Percentage split between capital and O&M for allocated		3.2067%	96.7933%	100.0000%
29					
30	Total (L12 + L26)	<u>\$ 10,149,217</u>	<u>\$ 20,827,211</u>	<u>\$ 103,514,376</u>	<u>\$ 134,490,804</u>
31					
32	Percentage split between capital and O&M for total		16.7500%	83.2500%	100.0000%
33					
34	<u>Summary:</u>				
35	Direct (L12)	\$ 10,149,217	\$ 20,574,322	\$ 95,881,035	\$ 126,604,574
36	Re-assignment of direct 'other' (-L36, Col. (a) x L14)	(10,149,217)	1,793,072	8,356,144	-
37	Allocated (L26)	0	252,889	7,633,341	7,886,230
38	Re-assignment of allocated "other"	-	0	0	(0)
39	Total (Sum L35 through L38)	<u>\$ 0</u>	<u>\$ 22,620,284</u>	<u>\$ 111,870,521</u>	<u>\$ 134,490,804</u>

Source: Duke Energy Corporate Accounting

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Normalize O&M labor expenses
For the test period ended December 31, 2018

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Supplemental Rebuttal

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

Line No.	Description	Other Balance Sheet (a)	Capital (b)	O&M (c)	Total (d)
1					
2	<u>Direct Charge:</u>				
3	Duke Energy Commercial Enterprises	\$ 312	\$ 208	\$ 1,821	\$ 2,341
4	Duke Energy Business Services	4,100,745	3,751,110	15,394,484	23,246,339
5	Duke Energy Carolinas	5,927,462	16,043,481	67,180,639	89,151,582
6	Duke Energy Indiana	9	15,413	70,314	85,736
7	Duke Energy Kentucky	-	12	5,129	5,142
8	Duke Energy Ohio	265	658	27,936	28,860
9	Piedmont Natural Gas	2,608	63	36,649	39,320
10	Duke Energy Progress	108,389	712,593	1,855,844	2,676,826
11	Duke Energy Florida	9,426	50,783	318,990	379,199
12	Direct Charge Total (Sum L3 through L11)	<u>\$ 10,149,217</u>	<u>\$ 20,574,322</u>	<u>\$ 84,891,807</u>	<u>\$ 115,615,346</u>
13					
14	Percentage split between capital and O&M for direct charges		19.5080%	80.4920%	100.0000%
15					
16	<u>Service Company Allocation:</u>				
17	Duke Energy Commercial Enterprises	\$ -	\$ -	\$ 441	\$ 441
18	Duke Energy Business Services	-	217,642	12,078,469	12,296,111
19	Duke Energy Carolinas	-	28,258	(4,892,829)	(4,864,571)
20	Duke Energy Indiana	-	39	2,211	2,250
21	Duke Energy Kentucky	-	-	-	-
22	Duke Energy Ohio	-	-	(0)	(0)
23	Piedmont Natural Gas	-	-	(10,648)	(10,648)
24	Duke Energy Progress	-	5,399	552,836	558,235
25	Duke Energy Florida	-	1,551	(97,139)	(95,589)
26	Service Company Allocation Total (Sum L17 through L25)	<u>\$ -</u>	<u>\$ 252,889</u>	<u>\$ 7,633,341</u>	<u>\$ 7,886,230</u>
27					
28	Percentage split between capital and O&M for allocated		3.2067%	96.7933%	100.0000%
29					
30	Total (L12 + L26)	<u>\$ 10,149,217</u>	<u>\$ 20,827,211</u>	<u>\$ 92,525,148</u>	<u>\$ 123,501,576</u>
31					
32	Percentage split between capital and O&M for total		18.3739%	81.6261%	100.0000%
33					
34	<u>Summary:</u>				
35	Direct (L12)	\$ 10,149,217	\$ 20,574,322	\$ 84,891,807	\$ 115,615,346
36	Re-assignment of direct 'other' (-L36, Col. (a) x L14)	(10,149,217)	1,979,909	8,169,307	-
37	Allocated (L26)	0	252,889	7,633,341	7,886,230
38	Re-assignment of allocated "other"	(0)	0	0	-
39	Total (Sum L35 through L38)	<u>\$ -</u>	<u>\$ 22,807,121</u>	<u>\$ 100,694,456</u>	<u>\$ 123,501,576</u>

Source: Duke Energy Corporate Accounting

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

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Supplemental Rebuttal

Variable Long Term Pay for Duke Energy Carolinas

Line No.	Description	Total (a)	Performance Awards (b)	Restricted Stock Units (c)
1				
2	<u>Stock-Based Compensation - Actuals - 12 Months Ended December 31, 2018</u>			
3				
4	Grand total - gross	\$ 28,181,797	\$ 13,040,845	\$ 15,140,952
5	Less: capital	<u>2,020,005</u>	<u>336,992</u>	<u>1,683,013</u>
6	Stock-based compensation, net EBIT	\$ 26,161,792	\$ 12,703,853	\$ 13,457,939
7				
8				
9	<u>Ongoing Stock-Based Compensation</u>			
10				
11	Grand total - gross	\$ 30,437,227	\$ 11,516,828	\$ 18,920,399
12	Less: capital	<u>2,972,381</u>	<u>512,175</u>	<u>2,460,206</u>
13	Stock-based compensation, net EBIT	\$ 27,464,846	\$ 11,004,653	\$ 16,460,193

Source: Duke Energy Corporate Accounting

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(Dollars in thousands)

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Supplemental Rebuttal

Adjustment to Annualize Ernst & Young outside tax services contract

Line <u>No.</u>	<u>Description</u>	Total <u>Company</u>	DEC <u>Allocation</u>	Total <u>DEC</u>
1	Estimated costs for E&Y outside tax services in 2019	\$7,586,926	34.8400% [1]	\$2,643,285
2	Total costs for E&Y outside tax services in 2018	2,533,332	35.4100% [2]	897,053
3	Adjustment to annual expense for E&Y outside tax services	<u>\$5,053,594</u>		<u>\$1,746,232</u>

[1] 2019 Service Company Cost Allocation

[2] 2018 Service Company Cost Allocation

Source - Duke Energy Carolinas - Corporate Services Business Support

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Supplemental Rebuttal

Settled Methodology which excludes STIP and LTIP tied to EPS for executives and those who are eligible for LTIP		
Line No.	Item	DEC Amount
	Short Term Incentive Plan (STIP)	
1	Total Company STIP pay accrued expense associated with earnings per share (EPS)	\$ 116,755 [1]
2	% of executives and LTIP eligible employees receiving STIP	11.53% [2]
3	Total Company STIP pay accrued expense associated with earnings per share (EPS) (L1 x L2)	\$ 13,462
4	Total Company STIP accrual	350,545 [1]
5	Percentage of STIP related to EPS (L3 / L4)	3.84%
6	STIP at target level associated with O&M expense per Company, net of Joint Owners	89,320 [3]
7	Adjustment to remove STIP related to EPS outcomes - total system (-L5 x L6)	(3,430)
8	Executive STIP already removed in executive compensation adjustment	26
9	Adjustment to STIP (L9 + L10)	(\$3,404)
10		
11	Long Term Incentive Plan (LTIP)	
12	LTIP Performance Shares associated with EPS and TSR at target, net Joint Owners	\$ 9,762 [4]
13		
14	Adjustment to remove LTIP associated with EPS and TSR - total system (-L14)	(9,762)
15	Executive LTIP already removed in executive compensation adjustment	1,412
16	Adjustment to LTIP (L18 + L19)	(\$8,350)
17		
18	Total adjustment to incentive pay (L11 + L20)	(\$11,754)
19		
20		
21	<u>Based on executive compensation adjustment</u>	
22	STIP for top five executives - DEC, net Joint Owners	\$ 1,371 [5]
23	STIP EPS percentage	3.84%
24	Exclusion percentage	50.00%
25	Executive STIP already removed in executive comp adj	26
26		
27	<u>Based on executive compensation adjustment</u>	
28	LTIP for top five executives - DEC, net Joint Owners	\$ 7,047 [5]
29	LTIP EPS and TSR percentage	40.07% [4]
30	Exclusion percentage	50.00%
31	Executive LTIP already removed in executive comp adj	1,412

[1] Data Request - DEC PS 35-7 (revised)

[2] Data Request - DEC PS 49-8 (revised)

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

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

[5] Data Request - DEC Executive Comp

[6] Allocation Factor - Labor [Wage and Salary Related Items] (Factor 59)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize rate case costs
For the test period ended December 31, 2018

NC-1600
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expense and income taxes for the amortization of rate case costs.

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

An annual level of rate case expense is projected based on actual expenses incurred through January 2020 and projected expenses through July 2020.

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

September Update

Updated Actuals through September 2019.

October Update

Updated Actuals through October 2019.

November Update

Updated Actuals through November 2019.

December Update

Updated Actuals through December 2019.

January Update

Updated Actuals through January 2020.

Supplemental Rebuttal

In accordance with the settlement agreement, the company has agreed to remove the rate base adjustment.

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Amortize rate case costs
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(Dollars in thousands)

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Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail January Supplemental	Total NC Retail Application	Total NC Retail Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-1601	801	801	801	-
11	Depreciation and amortization		-	-	-	-
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-1601	(187)	(187)	(187)	-
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	614	614	614	-
18						
19	Operating income	L4 - L17	\$ (614)	\$ (614)	\$ (614)	\$ -
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization	L11				
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	3,086	3,080	(3,080)
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes		-	(721)	(719)	719
39	Operating reserves		-	-	-	-
40			-	-	-	-
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ 2,366	\$ 2,361	\$ (2,361)
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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Amortize rate case costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1601
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Supplemental Rebuttal

Line No.	Description	Total NC Retail
1	<u>Impact to Income Statement:</u>	
2	NC Retail expenses incurred through January 2020	\$ 3,186 [1]
3	NC Retail projected expenses (February 2020 through July 2020)	819 [1]
4	NC Retail rate case expenses total	\$ 4,005
5	Amortization period in years	5
6	Impact to O&M (L4 / L5)	\$ 801
7		
8	Statutory tax rate	23.3503% [2]
9	Impact to income taxes (-L6 x L8)	\$ (187)
10		
11	Impact to operating income (-L6 - L9)	\$ (614)
12		
13	<u>Impact to Rate Base:</u>	
14	Deferral of NC Retail rate case expenses (L4)	
15	Less test year expenses included in 12/31/2018 balance	
16	Less first year of amortization (-L6)	
17	Projected Working Capital after first year of amortization (L15 + L16 + L17)	\$ -
18		
19	Adjustment to Working Capital (L18)	-
20		
21	Change in ADIT on Working Capital (-L18 x L8)	\$ -

[1] NC-1602 - NC Retail Rate Case Expenses Incurred/Projected Through July 2020

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

Duke Energy Carolinas, LLC
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Amortize rate case costs
For the test period ended December 31, 2018
(Dollars in thousands)

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Supplemental Rebuttal

NC Retail Rate Case Expenses Incurred/Projected Through July 2020

Account & Descr: 0186195 - DEFERRED RATE CASE EXPENSE
OU & Descr: NCRD - Carolinas Rates - DEC
Process: NCRTCSE

Line No.	Description	Total NC Retail
1	Oct 2018	43,598
2	Nov 2018	41,548
3	Dec 2018	32,424
4	<i>Subtotal 2018 expenses</i>	<u>\$ 117,570</u>
5	Jan 2019	43,637
6	Feb 2019	53,693
7	Mar 2019	127,569
8	Apr 2019	98,599
9	May 2019	125,597
10	Jun 2019	233,563
11	Jul 2019	208,441
12	Aug 2019	256,128
13	Sep 2019	258,356
14	Oct 2019	270,932
15	Nov 2019	535,900
16	Dec 2019	392,571
17	Jan 2019	<u>462,949</u>
18	Actuals Total	<u>\$ 3,185,504</u>
19	<i>Projected expenses through July 2020</i>	<u>819,496 [1]</u>
20	Total NC rate case expenses	<u><u>\$ 4,005,000</u></u>

[1] Duke Energy Carolinas - Rate Case Charges and Projection Summary

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust aviation expenses
For the test period ended December 31, 2018

NC-1700
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expense, general taxes and income taxes for aviation expenses to be excluded from the test period.

The corporate aviation operation and maintenance, depreciation, and return expense booked during the test period is multiplied by the percentage of corporate aviation expense to be excluded from test period expense. The percentage of corporate aviation costs to be excluded from test period expense is 50 percent.

The impact to general taxes is determined by multiplying corporate aviation general taxes booked during the test period by the percentage of corporate aviation expense to be excluded from test period expense.

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

Supplemental Rebuttal

Removing international commercial flights allocated to DEC per settlement.

Duke Energy Carolinas, LLC
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Adjust aviation expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1700
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Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-1701	(2,304)	(1,986)	(318)
11	Depreciation and amortization		-	-	-
12	General taxes	NC-1701	(27)	(27)	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-1701	544	470	74
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(1,787)	(1,543)	(244)
18					
19	Operating income	L4 - L17	\$ 1,787	\$ 1,543	\$ 244
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

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<u>Line No.</u>	<u>Description</u>	<u>Total Carolinas</u>	<u>NC Retail Allocation</u>	<u>Total NC Retail</u>
1				
2	Corporate aviation O&M to be excluded from test period	\$ 2,932 [1]	67.7195% [2]	\$ 1,986
3	Commerical international flight expense removed per settlement	470 [1]	67.7195% [2]	318
4	Impact to O&M (-L2 - L3)	<u>\$ (3,402)</u>		<u>\$ (2,304)</u>
5				
6	Corporate aviation general tax to be excluded from test period	\$ 41 [1]	67.7195% [2]	\$ 27
7	Impact to general taxes (-L6)	<u>\$ (41)</u>		<u>\$ (27)</u>
8				
9	Taxable income (-L4 - L7)	\$ 3,442		\$ 2,331
10	Statutory tax rate	23.3503% [3]		23.3503% [3]
11	Impact to income taxes (L9 x L10)	<u>\$ 804</u>		<u>\$ 544</u>
12				
13	Impact to operating income (-L4 - L7 - L11)	<u>\$ 2,639</u>		<u>\$ 1,787</u>

[1] NC-1702 - Duke Energy Carolinas - Corporate Aviation Expenses - 12 Months Ended December 31, 2018

[2] Allocation Factor - All Labor

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

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Duke Energy Carolinas - Corporate Aviation Expenses - 12 Months Ended December 31, 2018.

Line No.	Description	Total Company	Duke Energy Carolinas Allocation %	Total Duke Energy Carolinas
1	Corporate aviation general taxes	\$ 229,111 [1]		\$ 81,128 [1]
2	Percentage of corporate aviation expenses to be excluded from test period			50.0000% [2]
3	Corporate aviation general tax to be excluded from test period (L1 x L2)			<u>\$ 40,564</u>
4				
5	Corporate aviation operation and maintenance expense	\$ 12,004,069 [1]		\$ 4,249,891 [1]
6				
7	Corporate aviation and aerial patrol depreciation expense	\$ 3,361,563 [3]		
8	Catawba reimbursement allocation rate	13.9880% [4]		
9	Non-ownership percentage in Catawba plant	80.7540% [4]		
10	Costs reimbursed by Catawba Joint Owners (L7 x L8 x L9)	<u>379,718</u>		
11	Total less Catawba reimbursement (L7 - L10)	<u>\$ 2,981,845</u>		
12				
13	Percentage of aerial patrol O&M expenses compared to total	21.1400% [1]		
14	Depreciation expense considered a cost of aerial patrol (L11 x L13)	<u>\$ 630,362</u>		
15				
16	Depreciation expense less portion considered a cost of aerial patrol (L11 - L14)	<u>\$ 2,351,483</u>	35.4200% [5]	<u>\$ 832,895</u>
17				
18	Corporate aviation and aerial patrol return on DEBS assets	\$ 3,155,895 [3]		
19	Catawba reimbursement allocation rate	13.9880% [4]		
20	Non-ownership percentage in Catawba plant	80.7540% [4]		
21	Costs reimbursed by Catawba Joint Owners (L18 x L19 x L20)	<u>356,486</u>		
22	Total less Catawba reimbursement (L18 - L21)	<u>\$ 2,799,409</u>		
23				
24	Percentage of aerial patrol O&M expenses compared to total	21.1400% [1]		
25	Return expense considered a cost of aerial patrol (L22 x L24)	<u>\$ 591,795</u>		
26				
27	Return expense less portion considered a cost of aerial patrol (L22 - L25)	<u>\$ 2,207,614</u>	35.4100% [6]	<u>\$ 781,716</u>
28				
29	Corporate aviation O&M, depreciation and return expense (L5 + L16 + L27)			\$ 5,864,502
30	Percentage of corporate aviation expenses to be excluded from test period			50.0000% [2]
31	Corporate aviation O&M, depreciation expense, and return to be excluded from test period (L29 x L30)			<u>\$ 2,932,251</u>
32				
33	Commerical international flight expense removed per settlement	\$ 1,326 [7]	35.4100% [6]	\$ 470

[1] NC-1703 - Duke Energy Carolinas - Corporate Aviation and Aerial Patrol Operating Expenses - 12 Months Ended December 31, 2018, Lines 2, 25, and 51

[2] The Company proposes to remove 50 percent of the corporate aviation O&M expense requested in this case.

[3] NC-1704 - Duke Energy - Corporate Aviation and Aerial Patrol Depreciation and Return Expense - 12 Months Ended December 31, 2018, Sum of Line 9, and Line 18

[4] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended December 31, 2018; Lines 20 and 24

[5] NC-1705 - 2018 Service Company Cost Allocations in Service Agreements - Depreciation Expense factor

[6] NC-1705 - 2018 Service Company Cost Allocations in Service Agreements - Facilities Rate of Return allocation factor

[7] Boswell Supplemental and Stipulation Exhibit 1, Schedule 3-1(i), Line 17

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Duke Energy Carolinas - Corporate Aviation and Aerial Patrol Operating Expenses - 12 Months Ended December 31, 2018

Line No.	Account Description	Total Company	Total DE Carolinas
1	<u>Corporate Aviation General Taxes</u>		
2	0408960 Allocated Payroll Taxes	\$ 229,111	\$ 81,128
3			
4	<u>Corporate Aviation O&M Expenses</u>		
5	0909650 Misc Advertising Expense	\$0	\$0
6	0920000 A & G Salaries	4,011,437 a	1,420,450 a
7	0921100 Employee Expenses	586,203 a	207,575 a
8	0921200 Office Expenses	3,870,941 a	1,370,700 a
9	0921400 Computer Services Expenses	5,155 a	1,826 a
10	0921600 Other	3,662 a	1,297 a
11	0923000 Outside Services Employed	1,288,625 a	456,302 a
12	0924000 Property Insurance	140,456 a	49,735 a
13	0926000 Employee Pensions and Benefits	12,120	4,292
14	0926600 Employee Benefits-Transferred	793,853 a	281,103 a
15	0930240 Director's Expenses	- a	- a
16	0930250 Buy/Sell Transfer Employees Homes	58,562 a	20,737 a
17	0930940 General Expenses	82,696	29,283
18	0931001 Rents - A&G	2,666,920 a	943,510 a
19	Sub-total (Sum L5 through L18)	\$ 13,520,631	\$ 4,786,810
20			
21	Accounts in A&G reimbursement calculation (Sum of a)	\$ 13,425,815 a	\$ 4,753,235 a
22	Catawba reimbursement allocation rate	13.9880% [1]	13.9880% [1]
23	Non-ownership percentage in Catawba plant	80.7540% [1]	80.7540% [1]
24	Costs reimbursed by Catawba Joint Owners (L21 x L22 x L23)	1,516,563	536,919
25	Total less Catawba reimbursement (L19 - L24)	\$ 12,004,069	\$ 4,249,891
26			
27	<u>Aerial Patrol O&M Expenses</u>		
28	0426100 Donations	\$1,111	\$0
29	0426540 Employee Service Club Dues	(435)	-
30	0535000 Supervsn and Engrng-Hydro Oper	36,210	31,450
31	0563000 Overhead Line Expenses-Trans	1,807,766	699,595
32	0571000 Maint Of Overhead Lines-Trans	1,069,965	157,196
33	0583100 Overhead Line Exps-Other-Dist	5,088	-
34	0593000 Maint Overhd Lines-Other-Dist	23,290	-
35	0863000 Transm-Maint of Mains	307,773	-
36	0921100 Employee Expenses	(34)	-
37	0921200 Office Expenses	(11,897) a	- a
38	0923000 Outside Services Employed	(15,204) a	13,698 a
39	0930250 Buy/Sell Transfer Employees Homes	(33,032) a	- a
40	0930940 General Expenses	81,603	-
41	Sub-total (Sum L31 through L40)	\$3,272,204	\$901,940
42			
43	Accounts included in A&G reimbursement calculation (Sum of a)	\$ (60,132) a	\$ 13,698 a
44	Catawba reimbursement allocation rate	13.9880% [1]	13.9880% [1]
45	Non-ownership percentage in Catawba plant	80.7540% [1]	80.7540% [1]
46	Costs reimbursed by Catawba Joint Owners (L43 x L44 x L45)	(6,792)	1,547
47	Total less Catawba reimbursement (L41 - L46)	\$ 3,278,996	\$ 900,393
48			
49	Total corporate aviation and aerial patrol oper. expenses (L2 + L25 + L47)	\$ 15,512,176	\$ 5,231,412
50			
51	Percentage of aerial patrol O&M expenses compared to total (L47 / L49)	21.1400%	

[1] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Alloc. \$), 12 ME Dec. 31, 2018, Lines 20 and Source: Duke Energy Corporate Accounting - Allocations and Reporting

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Duke Energy - Corporate Aviation and Aerial Patrol Depreciation and Return Expense

Line No.	Asset	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018
1														
2		Net Book Value												
3	Challenger	\$ 19,218,626	\$ 19,059,956	\$ 18,901,286	\$ 18,742,616	\$ 18,583,946	\$ 18,425,276	\$ 18,266,606	\$ 18,107,935	\$ 17,949,266	\$ 17,790,596	\$ 17,631,926	\$ 17,473,256	\$ 17,314,586
4	Helicopter	12,480,817	12,403,946	12,327,075	12,250,204	12,173,332	12,096,461	12,019,590	11,942,719	11,865,848	11,788,977	11,712,106	11,635,235	11,558,364
5	Helicopter	2,236,936	2,214,225	2,191,514	2,168,803	2,158,804	2,148,805	2,138,806	2,128,807	2,118,809	2,108,810	2,098,811	2,088,812	2,078,813
6	Helicopter	2,897,400	2,879,555	2,861,709	2,843,864	2,826,018	2,808,173	2,790,327	2,772,482	2,754,636	2,736,791	2,718,945	2,701,100	2,683,254
7	Helicopter	2,303,130	2,279,747	2,256,364	2,232,981	2,222,686	2,212,392	2,202,097	2,191,802	2,181,507	2,171,213	2,160,918	2,150,623	2,140,329
8	Total	\$ 39,136,908	\$ 38,837,428	\$ 38,537,947	\$ 38,238,467	\$ 37,964,787	\$ 37,691,106	\$ 37,417,426	\$ 37,143,745	\$ 36,870,066	\$ 36,596,386	\$ 36,322,706	\$ 36,049,025	\$ 35,775,345
9	Depr Exp		\$ 299,481	\$ 299,480	\$ 299,480	\$ 273,680	\$ 273,680	\$ 273,680	\$ 273,681	\$ 273,679	\$ 273,680	\$ 273,680	\$ 273,680	\$ 273,680

		12/31/2018	
	Total DEBS Assets Used in Return Calculation	\$ 480,607,334	[1]
	Total Aviation Assets (L8)	35,775,345	
	% of Aviation Assets to DEBS Assets for Return (L14 / L13)	7.44%	
	Total Company December Return	3,533,034	[1]
	Annualized Return (L16 x 12 months)	42,396,411	
	Estimated Annual Return applicable to Aviation Assets (L15 x L17)	\$ 3,155,895	

Source: Duke Energy Service Company Financial Accounting & Reporting

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Supplemental Rebuttal

2018 Service Company Cost Allocations in Service Agreements - Depreciation Expense and Facilities Rate of Return Factors

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS								Total DEC								Total DEP		Total DEF		DEI Total		DEK Total		DEO Total		Total Comm		Total Electric Utilities	
Function	Function Description	Allocation Method	Operating Unit (OU)	Function	OU Description	Allocation Pool	St Cd																						
Accounting	Maintains the books and records of Duke Energy Corporation and its affiliates, prepares financial and statistical reports, prepares tax filings and supervises compliance with the laws and regulations.	Three Factor Formula	DGAC	Accounting	Accounting Gvmce	DGOV3FFACT	DG1	35.41	23.35	15.93	10.51	1.02	3.24	0.02												89.48			
			DGVP	Accounting	VSP - Governance DE	DGOV3FFVSP	DG3	37.50	24.73	16.85	11.10	1.07	3.42	0.02												94.69			
			PGVP	Accounting	VSP - Governance	PRGV3FFVSP	PG3	-	59.21	40.79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00			
			DEAC	Accounting	Accounting Svcs Ent DE	DENT3FFACT	D03	35.42	23.35	15.93	10.52	1.02	3.24	0.02												89.50			
			UTAC	Accounting	Acctg Svcs Utility	UT13FFACT	S09	36.51	24.05	16.44	10.87	1.05	3.36	0.02												92.30			
			UMAC	Accounting	Acctg Svcs Util MW FE&G only	UTM3FFACT	S53	-	-	-	63.91	6.21	18.65	-												88.77			
			DDEP	Accounting	DEBS Depreciation DE	DENT3FFDEP	D49	35.42	23.35	15.93	10.52	1.02	3.24	0.02												89.50			
			PRDP	Accounting	SvcCo Depreciation PE	PRE3FFDEPR	P49	-	59.21	40.79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00			
			DGDC	Accounting	Governance CTA Depreciation DE	DGOV3FDEPP	DG4	37.50	24.73	16.85	11.10	1.07	3.42	0.02												94.69			
			DCTG	Accounting	CTA Governance DE	DGOV3FFCTA	DG3	37.50	24.73	16.85	11.10	1.07	3.42	0.02												94.69			
			PNYG	Accounting	Piedmont CTA Gov	GOV3FFCTAP	DG7	35.41	23.35	15.93	0.02	10.51	0.04	3.24												88.50			
			PHGG	Accounting	Piedmont CTA Gov - Gas Only	GOV3FFCTAPG	DG6	-	-	-	-	-	-	-												-			
			PUDC	Accounting	Governance CTA Depreciation PE	PRV3FFDEPP	PG4	-	59.21	40.79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00			
			GSAC	Accounting	Accounting Gas Only	UT13FFGACT	GD3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
	Generating Unit MW Capability Ratio (MDC)	DPNL	Accounting	Duke Progress CTA Nuclear	DGOV3FFDPRN	CG3	67.00	33.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00				
	Rate of Return - Allocates the Service Company's portion of the utilities chargeback for affiliate use of space.	Three Factor Formula	DURR	Facilities Rate of Return Allocation	Facilities ROR Gvmce DE	DGOVEMPROR	DG1	35.41	23.35	15.93	10.51	1.02	3.24	0.02											89.48				

Source: Duke Energy Corporate Accounting - Allocations and Reporting

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Amortize Severance Costs
For the test period ended December 31, 2018

NC-2000
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expenses and income taxes to remove atypical severance and retention costs included in the test period and to amortize the atypical severance costs over three years.

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

September Update

Updated the date on NC-2002 and confirmed there have been no true-ups related to the 2018 severance as of September 30, 2019.

October Update

Updated the date on NC-2002 and confirmed there have been no true-ups related to the 2018 severance as of October 31, 2019.

November Update

Revised 12/31/2018 amounts on NC-2002 based on updated atypical severance costs identified in PS DR 6
Updated the date on NC-2002 and confirmed there have been no true-ups related to the 2018 severance as of November 30, 2019.

December Update

Updated 12/31/2019 amounts on NC-2002 based on the actual payouts made as of December 31, 2019 related to the 2018 atypical severance costs.

January Update

Updated 1/31/2020 amounts on NC-2002 based on the actual payouts made as of January 31, 2020 related to the 2018 atypical severance costs.

Supplemental Rebuttal

In accordance with the settlement agreement, the company has agreed to remove the deferred balance from rate base.

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(Dollars in thousands)

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Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail January - Supplemental	Total NC Retail Application	Total NC Retail Change
1						
2	Pro Formas Impacting Income Statement Line Items					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-2001	(47,462)	(47,462)	(46,208)	(1,255)
11	Depreciation and amortization					
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-2001	11,083	11,083	10,790	293
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(36,380)	(36,380)	(35,418)	(962)
18						
19	Operating income	L4 - L17	\$ 36,380	\$ 36,380	\$ 35,418	\$ 962
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	Pro Formas Impacting Rate Base Line Items					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization					
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment	NC-2001	-	43,370	46,113	(46,113)
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes	NC-2001	-	(10,127)	(10,767)	10,767
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ 33,243	\$ 35,345	\$ (35,345)
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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Supplemental Rebuttal

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1				
2	Remove actual severance costs in 2018	\$ (102,108) [1]	67.7195% [3]	\$ (69,147)
3	Annual amortization related to severance costs	32,022 [2]	67.7195% [3]	21,685
4	Impact to O&M (L2 + L3)	<u>\$ (70,087)</u>		<u>\$ (47,462)</u>
5				
6	Statutory tax rate	23.3503% [4]		23.3503% [4]
7	Impact to income taxes (-L4 x L6)	<u>\$ 16,365</u>		<u>\$ 11,083</u>
8				
9	Impact to operating income (-L4 - L7)	<u>\$ 53,721</u>		<u>\$ 36,380</u>
10				
11	<u>Working capital investment:</u>			
12	Establish a regulatory asset for severance costs		[1] 67.7195% [3]	\$ -
13	Less first year of amortization (-L3)		67.7195% [3]	-
14	Impact to working capital investment (L12 + L13)	<u>\$ -</u>		<u>\$ -</u>
15				
16	Statutory tax rate	23.3503% [4]		23.3503% [4]
17	Impact to accumulated deferred income tax (-L14 x L16)	<u>\$ -</u>		<u>\$ -</u>
18				
19	Impact to rate base (L14+L17)	<u>\$ -</u>		<u>\$ -</u>

[1] NC 2002 - Adjustment to remove severance and retention costs, Line 11

[2] NC 2002 - Adjustment to amortize severance and retention costs, Line 15

[3] Allocation Factor - All Labor

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

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Adjustment to amortize severance costs

Line No.	Description	Total Carolinas 12/31/2018	Total Carolinas 1/31/2020 [2]
1	Atypical severance costs related to 2018 - DEC [4]	\$ 97,677,590 [1]	\$ 93,062,147 [1]
2	Atypical severance costs related to 2018 - Allocated from DEBS [4]	17,275,366 [1]	15,235,927 [1]
3	Total atypical severance costs related to 2018 (L1 + L2)	\$ 114,952,955	\$ 108,298,074
4			
5	Atypical retention costs related to 2018 [4]	158,193 [1]	[3]
6			
7	Amounts in A&G reimbursement calculation (L3 + L5)	115,111,149	108,298,074
8	Catawba reimbursement allocation rate	13.9880% [5]	13.9880% [5]
9	Non-ownership percentage in Catawba plan	80.7540% [5]	80.7540% [5]
10	Costs reimbursed by Catawba Joint Owners (L7 x L8 x L9)	13,002,805	12,233,209
11	Total less Catawba reimbursement (L7 - L10)	\$ 102,108,344	\$ 96,064,865
12			
13	Years to amortize costs		3
14			
15	Annual amortization related to severance costs (L11/L13)		32,021,622

[1] Information provided by Duke Energy Corporate Accounting

[2] Actual payouts made as of January 31, 2020 related to the 2018 atypical severance costs. Approximately 41 employees who elected to participate in the 2018 severance plan have not been paid out yet, additional payouts expected during 2020.

[3] Atypical retention in 2018 related to the Tax Department transition to Ernst and Young. Removing to normalize the test year.

[4] Atypical severance and retention costs were booked to account 0920000 - A & G Salaries

[5] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Alloc. \$), 12 ME Dec. 31, 2018, Lines 20 and 24

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018

NC-2200
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to income taxes is determined as follows:

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

January Update

Recalculated based on December updated figures

January Rebuttal

Recalculated based on changes in other proformas adjustments

Supplemental Rebuttal

Recalculated based on updated figures as a result of the settlement agreement.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2200
Page 1 of 1
Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail January - Rebuttal	Total NC Retail January - Supplemental	Total NC Retail Application	Total NC Retail Change
1							
2	<u>Pro Formas Impacting Income Statement Line Items</u>						
3							
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -
5							
6	Electric operating expenses:						
7	Operation and maintenance						
8	Fuel used in electric generation		-	-	-	-	-
9	Purchased power		-	-	-	-	-
10	Other operation and maintenance expense		-	-	-	-	-
11	Depreciation and amortization		-	-	-	-	-
12	General taxes		-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-
14	Income taxes	NC-2201	(220)	(4,831)	(4,839)	(2,580)	2,360
15	Amortization of investment tax credit		-	-	-	-	-
16							
17	Total electric operating expenses	Sum L8 through L15	(220)	(4,831)	(4,839)	(2,580)	2,360
18							
19	Operating income	L4 - L17	\$ 220	\$ 4,831	\$ 4,839	\$ 2,580	\$ (2,360)
20							
21	Notes:						
22	Revenue: positive number increases revenue / negative number decreases revenue						
23	Expense: positive number increases expense / negative number decreases expense						
24							
25							
26	<u>Pro Formas Impacting Rate Base Line Items</u>						
27							
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization						
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-
31							
32	Add:						
33	Materials and supplies		-	-	-	-	-
34	Working capital investment		-	-	-	-	-
35			-	-	-	-	-
36							
37	Less:						
38	Accumulated deferred taxes		-	-	-	-	-
39	Operating reserves		-	-	-	-	-
40							
41							
42	Construction work in progress		-	-	-	-	-
43							
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -
45							
46	Note:						
47	Rate Base: positive number increases rate base / negative number decreases rate base						

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2201
Page 1 of 1
Supplemental Rebuttal

Line No.	Description	Total Carolinas Col [a]	NC Retail Allocation Col [b]	Total NC Retail Col [c]
1				
2	Rate base before pro forma adjustments	\$ 21,361,527 [1]	68.1442% [2]	\$ 14,556,650 [1]
3				
4	Pro forma rate base	\$ 23,154,499 [3]		\$ 15,778,448 [7]
5				
6	Long-term debt ratio	47.0000% [4]		47.0000% [4]
7	Calculated long-term debt (L4 x L6)	\$ 10,882,614		\$ 7,415,870
8				
9	End of year cost of long-term debt	4.2900% [4]		4.2900% [4]
10	Annualized interest expense (L7 x L9)	\$ 466,864		\$ 318,141
11				
12	Incurred interest expense	465,481 [5]		317,199 [5]
13	Increase / <decrease> to interest costs (L10 - L12)	\$ 1,383		\$ 942
14				
15	Statutory tax rate	23.3503% [6]		23.3503% [6]
16	Impact to income taxes (-L13 x L15)	\$ (323)		\$ (220)
17				
18	Impact to operating income (-L16)	\$ 323		\$ 220

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

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

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

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

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

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

[7] McManeus Exhibit 1, Page 1, Line 12 Less Detail of Accounting Adjustments Page 3, line 23 Rate base

Duke Energy Carolinas, LLC

NC-2300

Docket No. E-7, Sub 1214

Narrative

Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

Updated NC-2303 Summary based on revised E&Y Lead Lag Study

Updated NC-2302 Lead Lag days based on revised E&Y study.

January Update

Recalculated based on January updated figures

January Rebuttal

NC 2301 and 2302 were set up in more detail like the Public Staff

Impacted by changes in other proformas

Supplemental Rebuttal

Recalculated based on updated figures as a result of the Settlement agreement

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Page 1 of 2
Supplemental Rebuttal

Line No.	Description	NC Retail Financials			NC Retail Iteration 1			NC Retail Iteration 2		
		Adjusted with CWC	Revenue Increase	Adjusted w/Increase	Increase	With Increase	Wgt Lead Lag Days	Increase	With Increase	Wgt Lead Lag Days
		(a)	(b)=(c)-(a)	(c)=(n)	(d)=(e)-(a)	(e)=(a)+(d)	(f)	(g)=(h)-(e)	(h)=(e)+(g)	(i)
1	Total Adjusted Revenue	4,809,871 [1]					39.69 [1]			39.69 [1]
2	Revenue Increase (L3)		367,632		364,007		39.58 [12]	3,607		39.58 [12]
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	4,809,871	367,632	5,177,503	364,007	5,173,878	39.68 [13]	3,607	5,177,485	39.68 [13]
4										
5	Total Adjusted Fuel Used in Electric Generation	1,167,491 [1]	0	1,167,491		1,167,491	22.33 [1]		1,167,491	22.33 [1]
6	Adjusted Purchased Power	23,412 [1]	0	23,412		23,412	136.58 [1]		23,412	136.58 [1]
7										
8	Operation & Maintenance Expense	1,159,750 [1]		0			33.71 [1]			33.71 [1]
9	Revenue Increase (L10)		1,396		1,382		33.90 [12]	14		33.90 [12]
10	Operation and Maintenance Expense with Increase (L8 + L9)	1,159,750	1,396	1,161,146	1,382 [5]	1,161,132	33.71 [13]	14 [5]	1,161,146	33.71 [13]
11										
12	Total Adjusted Depreciation and Amortization	1,184,930 [1]	0	1,184,930		1,184,930	- [1]		1,184,930	- [1]
13	Total Adjusted General Taxes	209,653		209,653		209,653	170.55		209,653	170.55
14										
15	Total Adjusted Interest on Customer Deposits	7,130 [1]	0	7,130		7,130	218.39 [1]		7,130	218.39 [1]
16										
17	Net Income Taxes	188,246		0			0.43		0	0.43
18	Revenue Increase (L19)		85,331		84,674		0.48 [12]	654	654	0.48 [12]
19	Income Taxes with Increase (L17 + L18)	188,246	85,331	273,577	84,674 [7]	272,920	0.30 [13]	654 [7]	273,574	0.30 [13]
20										
21	Total EDIT Amortization	(29,734)	0	(29,734)		(29,734)	- [1]		(29,734)	- [1]
22	Total Adjusted Amortization of Investment Tax Credit	(2,836) [1]	0	(2,836)		(2,836)	- [1]		(2,836)	- [1]
23	Total Operating Expense (L5+L6+L10+L12+L13+L15+L19+L21+L22)	3,908,042	86,727	3,994,770	86,056	3,994,098	26 [14]	668	3,994,766	26 [14]
24										
25	Income for Return (L3 - L23)	901,829	280,905	1,182,734	277,951	1,179,779 [8]	22.98 [14]	2,940	1,182,719 [8]	22.98 [14]
26	Interest Expense	318,220 [1]	797	319,017	0	318,220 [9]	85.20 [1]	793	319,013 [9]	85.20 [1]
27	Return for Equity (L25 - L26)	583,609	280,108	863,717	277,951	861,559	- [1]	2,147	863,706	- [1]
28										
29	Total Requirement (L23 + L25 = L3)	4,809,871		5,177,503		5,173,878	25.69 [14]		5,177,485	25.68 [14]
30	Rate Base [CWC Solved for Through Iterative Process]	15,782,365 [1]	39,528	15,821,893		15,782,365 [10]		39,324 [15]	15,821,689	
31										
32	Overall Rate of Return (L25 / L30)	5.71%		7.48%		7.48%			7.4753%	
33	Target Rate of Return	7.48% [2]		7.48% [2]		7.48% [2]			7.4753% [2]	
34										
35	<u>Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase</u>									
36	Annual Requirement (L3 and/or L29)	Adjusted 4,809,871	Rev Incr	Adj w/Incr 5,177,503		5,173,878			5,177,484.77	
37	Daily Requirement (L36 / 365 Days)	13,178		14,185		14,175			14,185	
38	Net Lag Days (Column (c) only: L38 / L37)	12.06		13.99		13.99			13.99	
39	Est. CWC Req. Before Sales Tax Requirement (L37 x L)	158,981	39,528 [3]	198,509 [4]	39,324	198,305		203	198,508	
40	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]						
40	Total Cash Working Capital Requirements (L38 + L39)	165,185	39,528	204,713						

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)

[2] NC-2304-Inputs, Total ROR

[3] Ties to Line 30, Column (b)

[4] Sum of Line 38, Columns (a) + (d) + (g) + (j)

[5] Sum of (L19 + L25) x Reg Fee and Uncollectibles Rate: 0.37977%

[7] L27 / (1 - Tax Rate: 23.3503%) - L27

[8] Line 30 x Rate of Return: 7.4753%

[9] Line 30 x Debt Rate: 4.29% and Debt Ratio: 47%

[10] Column (e) = Column (a)

[11] Line 3, Column (f), (i), (l) - Line 29, Column (f), (i), (l)

[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag

[13] Calculation of Average Lead/Lag Day

[14] New weighted averages are calculated.

[15] Line 38, Columns (d), (g), (j)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Page 2 of 2
Supplemental Rebuttal

Line No.	Description	NC Retail Iteration 3			NC Retail Iteration 4		
		Increase (j)=(k)-(h)	With Increase (k)=(h)+(i)	Wgt Lead Lag Days (l)	Increase (m)=(n)-(k)	With Increase (n)=(k)+(m)	Wgt Lead Lag Days (o)
1	Total Adjusted Revenue			39.69 [1]			39.69 [1]
2	Revenue Increase (L3)	19		39.58 [12]	0		39.58 [12]
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	19	5,177,503	39.68 [13]	0	5,177,503	39.68 [13]
4							
5	Total Adjusted Fuel Used in Electric Generation		1,167,491	22.33 [1]		1,167,491	22.33 [1]
6	Adjusted Purchased Power		23,412	136.58 [1]		23,412	136.58 [1]
7							
8	Operation & Maintenance Expense			33.71 [1]			33.71 [1]
9	Revenue Increase (L10)	0		33.90 [12]	0		33.90 [12]
10	Operation and Maintenance Expense with Increase (L8 + L9)	0 [5]	1,161,146	33.71 [13]	0 [5]	1,161,146	33.71 [13]
11							
12	Total Adjusted Depreciation and Amortization		1,184,930	- [1]		1,184,930	- [1]
13	Total Adjusted General Taxes		209,653	170.55		209,653	170.55
14							
15	Total Adjusted Interest on Customer Deposits		7,130	218.39 [1]		7,130	218.39 [1]
16							
17	Net Income Taxes		-	0.43		-	0.43
18	Revenue Increase (L19)	3	657	0.48 [12]	0	657	0.48 [12]
19	Income Taxes with Increase (L17 + L18)	3 [7]	273,577	0.30 [13]	0 [7]	273,577	0.30 [13]
20							
21	Total EDIT Amortization		(29,734)	- [1]		(29,734)	- [1]
22	Total Adjusted Amortization of Investment Tax Credit		(2,836)	- [1]		(2,836)	- [1]
23	Total Operating Expense (L5+L6+L10+L12+L13+L15+L19+L21+L22)	3	3,994,770	26 [14]	0	3,994,770	26 [14]
24							
25	Income for Return (L3 - L23)	15	1,182,734 [8]	22.98 [14]	0	1,182,734 [8]	22.98 [14]
26	Interest Expense	4	319,017 [9]	85.20 [1]	0	319,017 [9]	85.20 [1]
27	Return for Equity (L25 - L26)	11	863,717	- [1]	0	863,717	- [1]
28							
29	Total Requirement (L23 + L25 = L3)		5,177,503	25.68 [14]		5,177,503	25.68 [14]
30	Rate Base [CWC Solved for Through Iterative Process]	203 [15]	15,821,892		1 [15]	15,821,893	
31							
32	Overall Rate of Return (L25 / L30)		7.4753%			7.4753%	
33	Target Rate of Return		7.4753% [2]			7.4753% [2]	
34							
35	<u>Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase</u>						
36	Annual Requirement (L3 and/or L29)		5,177,503				
37	Daily Requirement (L36 / 365 Days)		14,185				
	Net Lag Days (Column (c) only: L38 / L37)		13.99				
38	Est. CWC Req. Before Sales Tax Requirement (L37 x L)	1	198,509				
39	Add: Working Capital Related to NC Sales Tax						
40	Total Cash Working Capital Requirements (L38 + L39)						

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)
[2] NC-2304-Inputs, Total ROR
[3] Ties to Line 30, Column (b)
[4] Sum of Line 38, Columns (a) + (d) + (g) + (j)
[5] Sum of (L19 + L25) x Reg Fee and Uncollectibles Rate: 0.37977%
[7] L27 / (1 - Tax Rate: 23.3503%) - L27
[8] Line 30 x Rate of Return: 7.4753%
[9] Line 30 x Debt Rate: 4.29% and Debt Ratio: 47%
[10] Column (e) = Column (a)
[11] Line 3, Column (f), (i), (l) - Line 29, Column (f), (i), (l)
[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag
[13] Calculation of Average Lead/Lag Day
[14] New weighted averages are calculated.
[15] Line 38, Columns (d), (g), (j)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

Cash Working Capital for Present Revenue

NC Retail									
Financials						Lead Lag Days			
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)
1	Rate revenues	4,751,193 [1]		4,751,193		4,751,193	39.58 [1]		39.58
2	Sales for resale revenues	61,600		61,600		61,600	35.44		35.44
3	Forfeited discounts	15,256		15,256		15,256	70.00		70.00
4	Miscellaneous service revenues	9,541		9,541		9,541	76.00		76.00
5	Rent revenues - extra facilities - depreciation			0		0			0.00
6	Rent revenues - extra facilities - other	25,058		25,058		25,058	30.13		30.13
7	Rent revenues - pole & line attachments	27,655		27,655		27,655	143.39		143.39
8	Tower lease revenues	6,161		6,161		6,161	-93.97		(93.97)
9	Other electric rents	3,060		3,060		3,060	45.21		45.21
10	Return & depr - Catawba general plant	11,264		11,264		11,264	-15.21		(15.21)
11	Other misc revenues - CIAC & comp for svc	13,227		13,227		13,227	-15.21		(15.21)
12	Other misc revenues - timber sales	(2,737)		(3)		(3)			0.00
13	Profit or loss on sale of M&S	(1)		(1)		(1)			0.00
14	Deferred DSM costs - NC	(377)		(377)		(377)			0.00
15	Other revenue affiliate	8,729		8,729		8,729	40.21		40.21
16	Revenues from transm of electricity to others	5,032		5,032		5,032	40.41		40.41
17	Other electric revenues	3,639		3,639		3,639	36.03		36.03
18	Other electric revenues riders	(38,869)		(38,869)		(38,869)	0.00		0.00
19	Other transmission revenues	1,916		1,916		1,916	0.00		0.00
20	Rate Schedule Revenue Adjustments								
21	PF REV-Annualize retail revenues for current rates		(110,407) [3]	(110,407)		(110,407)		39.58 [2]	39.58
22	PF REV-Normalize for weather		(96,809) [3]	(96,809)		(96,809)		39.58 [2]	39.58
23	PF REV-Annualize revenues for customer growth		45,632 [3]	45,632		45,632		39.58 [2]	39.58
24	PF REV-Eliminate unbilled revenues		26,204 [3]	26,204		26,204		39.58 [2]	39.58
25	PF REV-Adjust for costs recovered through non-fuel riders		50,669 [3]	50,669		50,669		0.00 [2]	0.00
26	PF REV-Adjust Other Revenue		(9,502) [3]	(9,502)		(9,502)		39.58 [2]	39.58
27	Rounding - Revenue		0	0		0		39.58 [2]	39.58
28	Revenue - Adjustments (Sum Lines 21 through 27)	0	(94,213)	(94,213)		4,809,871			
29									
30	Total Adjusted Revenue (L1 + L28)	4,904,084	(94,213) [4]	4,809,871 [3]	0	4,809,871	40.09 [8]	(0.41) [9]	39.69 [8]
31									\$ 522,978
32	Operating Expenses:								
33	Fuel Used in Electric Generation	989,374 [2]		989,374		989,374	22.33 [2]		22.33
34	PF FUEL-Normalize for weather		(25,025) [3]	(25,025)		(25,025)		22.33 [2]	22.33
35	PF FUEL-Annualize revenues for customer growth		10,900 [3]	10,900		10,900		22.33 [2]	22.33
36	PF FUEL-Update fuel costs to proposed rate		209,105 [3]	209,105		209,105		22.33 [2]	22.33
37	PF FUEL-Adjust for costs recovered through non-fuel riders		(16,862) [3]	(16,862)		(16,862)		22.33 [2]	22.33
38	Rounding - Fuel		(0)	(0)		(0)		22.33 [2]	22.33
39	Fuel Used in Electric Generation - Adjustments (Sum Lines 34:38)	0	178,117	178,117		1,167,491			
40									
41	Total Adjusted Fuel Used in Electric Generation (L33 + L39)	989,374	178,117 [4]	1,167,491 [3]	0	1,167,491	22.33 [8]	0.00 [9]	22.33 [8]
42									\$ 71,425
43	Purchased Power	331,394 [2]		331,394		331,394	39.00 [2]		39.00
44	Deferred Fuel	(137,046)		(137,046)		(137,046)	22.33		22.33
45	PF PURCH POWER-Update fuel costs to proposed rate		(169,854) [3]	(169,854)		(169,854)		39.00 [2]	39.00
46	PF PURCH POWER-Adjust for costs recovered through non-fuel riders		(1,082) [3]	(1,082)		(1,082)		39.00 [2]	39.00
47	Rounding - Purchased Power		0	0		0			
48	Purchased Power - Adjustments (Sum Lines 45 through 47)	0	(170,936)	(170,936)		23,412			
49									
50	Total Adjusted Purchased Power (L43 + L48)	194,348	(170,936) [4]	23,412 [3]	0	23,412	50.75 [8]	85.83 [9]	136.58 [8]
51									\$ 8,761
52	Labor expense	571,027 [2]		571,027		571,027	36.37 [2]		36.37
53	Benefits expense	69,021		69,021		69,021	12.21		12.21
54	Regulatory commission expense	8,163		8,163		8,163	89.82		89.82
55	Property insurance	1,625		1,625		1,625	-474.55		(474.55)
56	Injuries and damages for corp	5,274		5,274		5,274	-145.50		(145.50)
57	Uncollectable accounts	12,692		12,692		12,692	0.00		0.00
58	Other O&M expense	708,137		708,137		708,137	36.49		36.49
59	PF O&M-Annualize retail revenues for current rates		(826) [3]	(826)		(826)		33.90 [2]	33.90
60	PF O&M-Normalize for weather		(368) [3]	(368)		(368)		33.90 [2]	33.90
61	PF O&M-Annualize revenues for customer growth		2,969 [3]	2,969		2,969		33.90 [2]	33.90
62	PF O&M-Update fuel costs to proposed rate		(21,892) [3]	(21,892)		(21,892)		33.90 [2]	33.90
63	PF O&M-Adjust for costs recovered through non-fuel riders		(117,372) [3]	(117,372)		(117,372)		33.90 [2]	33.90
64	PF O&M-Adjust for approved regulatory assets and liabilities		1,408 [3]	1,408		1,408		0.00 [2]	0.00
65	PF O&M-Amortize Severance Costs		(47,462) [3]	(47,462)		(47,462)		36.37 [2]	36.37
66	PF O&M-Adjust for credit card fees		8,976 [3]	8,976		8,976		36.49 [2]	36.49
67	PF O&M-Annualize O&M non-labor expenses		7,780 [3]	7,780		7,780		30.71 [2]	30.71
68	PF O&M-Normalize O&M labor expenses		(36,052) [3]	(36,052)		(36,052)		36.37 [2]	36.37
69	PF O&M-Update benefits costs		(3,560) [3]	(3,560)		(3,560)		12.00 [2]	12.00
70	PF O&M-Levelize nuclear refueling outage costs		(1,946) [3]	(1,946)		(1,946)		36.49 [2]	36.49
71	PF O&M-Amortize rate case costs		801 [3]	801		801		0.00 [2]	0.00
72	PF O&M-Adjust aviation expenses		(2,304) [3]	(2,304)		(2,304)		33.90 [2]	33.90
73	PF O&M-Adjust for Meger Related Costs		(5,530) [3]	(5,530)		(5,530)		33.90 [2]	33.90
74	PF O&M-Adjust O&M for executive compensation		(3,523) [3]	(3,523)		(3,523)		36.37 [2]	36.37
75	PF O&M-Adjust vegetation management expenses		7,739 [3]	7,739		7,739		36.49 [2]	36.49

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

Cash Working Capital for Present Revenue

NC Retail									
Financials						Lead Lag Days			
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)
76	PF O&M-Adjust Other Revenue		(36) [3]	(36)		(36)	O&M Excl Fuel & PP	33.90 [2]	33.90
77	PF O&M-Adjust for change in NCUC regulatory fee-DEC		(500) [3]	(500)		(500)	Regulatory Commission Expense	89.82 [2]	89.82
78	PF O&M-Adjust for Hydro Stations Sale		(1,560) [3]	(1,560)		(1,560)	O&M Excl Fuel & PP	33.90 [2]	33.90
79	PF O&M-Remove certain test year expenses-DEC		(271) [3]	(271)		(271)	O&M Excl Fuel & PP	33.90 [2]	33.90
80	PF O&M-Settlement adjustment to remove certain items		(4,272) [3]	(4,272)		(4,272)	O&M Excl Fuel & PP	33.90 [2]	33.90
81	PF O&M-Storm Normalization		1,610 [3]	1,610		1,610	O&M Excl Fuel & PP	33.90 [2]	33.90
82	Rounding - O&M		0	0		0	Total O&M	30.71 [2]	30.71
83	Operation & Maintenance Expense - Adjustments (Sum Lines 59:82)	0	(216,189)	(216,189)		1,159,750			
84									
85	Total Adjusted Operation & Maintenance Expense (L52 + L83)	1,375,939	(216,189) [4]	1,159,750 [3]	0	1,159,750	33.90 [8]	(0.20) [9]	33.71 [8]
86									\$ 107,097
87	Depreciation and Amortization	838,805 [1]		838,805			0.00 [1]		0.00
88	PF D&A-Adjust for costs recovered through non-fuel riders		(3,045) [3]	(3,045)				0.00 [2]	0.00
89	PF D&A-Annualize depreciation on year end plant balances		59,052 [3]	59,052				0.00 [2]	0.00
90	PF D&A-Adjust Depreciation for new rates		72,915 [3]	72,915				0.00 [2]	0.00
91	PF D&A-Adjust for post test year additions to plant in service		61,010 [3]	61,010				0.00 [2]	0.00
92	PF D&A-Update fuel costs to proposed rate		0 [3]	0				0.00 [2]	0.00
93	PF D&A-Adjust reserve for end of life coal plant inventory		0 [3]	0				0.00 [2]	0.00
94	PF D&A-Adjust reserve for end of life nuclear costs		(1,808) [3]	(1,808)				0.00 [2]	0.00
95	PF D&A-Adjust for approved regulatory assets and liabilities		62,706 [3]	62,706				0.00 [2]	0.00
96	PF D&A-Amortize deferred environmental costs		93,944 [3]	93,944				0.00 [2]	0.00
97	PF D&A-Adjust for Meger Related Costs		(48) [3]	(48)				0.00 [2]	0.00
98	PF D&A-Update deferred balance and amortize storm costs		(409) [3]	(409)				0.00 [2]	0.00
99	PF D&A-Adjust for Hydro Stations Sale		1,809 [3]	1,809				0.00 [2]	0.00
100	Rounding - D&A		0	0				0.00 [2]	0.00
101	Depreciation and Amortization - Adjustments (Sum Lines 88 through 100)	0	346,126	346,126					
102									
103	Total Adjusted Depreciation and Amortization (L87 + L101)	838,804.844	346,126 [4]	1,184,930.38 [3]	0	1,184,930	0.00 [8]	0.00 [9]	0.00 [8]
104									\$ -
105	Other taxes - NC property tax	80,657 [1]		80,657			Other taxes - NC prop	186.50 [1]	186.50
106	Other taxes - SC property tax	81,208		81,208			Other taxes - SC prop	196.50	196.50
107	Other taxes - federal payroll taxes	34,411		34,411			Other taxes - federal p	51.17	51.17
108	Other taxes	(1,594)		(1,594)			Other taxes	21.04	21.04
109	PF GEN TAX-Annualize property taxes on year end plant balances		7,470 [3]	7,470			Other taxes - NC property tax	186.50 [2]	186.50
110	PF GEN TAX-Adjust for post test year additions to plant in service		9,257 [3]	9,257			Other taxes - NC property tax	186.50 [2]	186.50
111	PF GEN TAX-Adjust for approved regulatory assets and liabilities		56 [3]	56			Taxes Other Than Income	168.11 [2]	168.11
112	PF GEN TAX-Normalize O&M labor expenses		(1,507) [3]	(1,507)			Other taxes - federal payroll taxes	51.17 [2]	51.17
113	PF GEN TAX-Adjust for costs recovered through non-fuel riders		(10) [3]	(10)			Taxes Other Than Income	168.11 [2]	168.11
114	PF GEN TAX-Adjust for Meger Related Costs		(73) [3]	(73)			Taxes Other Than Income	168.11 [2]	168.11
115	PF GEN TAX-Adjust aviation expenses		(27) [3]	(27)			Taxes Other Than Income	168.11 [2]	168.11
116	PF GEN TAX-Adjust for Hydro Stations Sale		(193) [3]	(193)			Other taxes	21.04 [2]	21.04
117	Rounding - General Taxes		(0)	(0)			Taxes Other Than Income	168.11 [2]	168.11
118	General Taxes - Adjustments (Sum Lines 109 through 117)	0	14,972	14,972					
119									
120	Total Adjusted General Tax (L105 + L118)	194,681	14,972 [4]	209,653 [3]	0	209,653	168.11 [8]	2.44 [9]	170.55 [8]
121									\$ 97,962
122	Interest on Customer Deposits	7,130 [1]		7,130			218.40 [1]		218.40
123	Interest on Customer Deposits - Adjustments			0					4,266
124									
125	Total Adjusted Interest on Customer Deposits (L122 + L123)	7,130	0 [4]	7,130 [3]	0	7,130	218.40 [8]	(0.01) [9]	218.39 [8]
126									\$ 4,266
127	Current state and federal income tax	2,397 [1]		2,397			44.75 [1]		44.75
128	Deferred income taxes	222,600		222,600			0.00		0.00
129	PF INC TAX-Adjust Income Taxes		(50,570) [3]	(50,570)				0.48 [2]	0.48
130	PF INC TAX-Adjust for costs recovered through non-fuel riders		16,763 [3]	16,763				0.00 [2]	0.00
131	PF INC TAX-Adjust NC income taxes for rate change		(2,707) [3]	(2,707)				0.48 [2]	0.48
132	PF INC TAX-Synchronize interest expense with end of period rate base		(220) [3]	(220)				0.48 [2]	0.48
133	Rounding - Income Taxes		0	0				0.48 [2]	0.48
134	Income Taxes - Adjustments (Sum Lines 129 through 133)	0	(36,733)	(36,733)					0
135									
136	Total Adjusted Income Taxes (L127 + L134)	224,997	(36,733) [4]	188,264 [3]	(18) [6]	188,246	0.48 [8]	(0.04) [9]	0.43 [8]
137									\$ 224
138	EDIT Amortization								
139	PF EDIT-Amortize Protected EDIT		(29,734) [3]	(29,734)				0.00 [2]	0.00
140	Rounding - EDIT Amort		(0)	(0)				0.00 [2]	0.00
141	EDIT Amortization - Adjustments (Sum Lines 142:143)	0	(29,734)	(29,734)					
142									
143	Total Adjusted EDIT Amortization (L138 + L141)	0	(29,734) [4]	(29,734) [3]	0	(29,734)	0.00 [8]	0.00 [9]	0.00 [8]
140									\$ -
141	Amortization of Investment Tax Credit	(3,526) [1]		(3,526)			0.00 [1]		0.00
142	PF ITC-Annualize depreciation on year end plant balances		690 [3]	690				0.00 [2]	0.00
143	Rounding - ITC		(0)	(0)				0.00 [2]	0.00
144	Amort. of Investment Tax Credit - Adjustments (Sum Lines 142:143)	0	690	690					
145									
146	Total Adjusted Amortization of Investment Tax Credit (L141 + L144)	(3,526)	690 [4]	(2,836) [3]	0	(2,836)	0.00 [8]	0.00 [9]	0.00 [8]
									\$ -

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For the test period ended December 31, 2018
Dollars in Thousands

Cash Working Capital for Present Revenue

NC Retail									
Financials						Lead Lag Days			
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)
147									
148	Total Operating Expense (L41+L50+L85+L103+L120+L125+L136+L146)	3,821,748	86,312	3,908,060	(18)	3,908,042	29.57 [8]	(2.51) [9]	27.06 [8]
149									\$ 289,735
150	Income for Return (L30 - L148)	1,082,336	(180,525)	901,811	18	901,829	24.97 [8]	5.09 [9]	30.06 [8]
151	Interest Expense	317,199 [2]	942 [4]	318,141 [5]	79 [5]	318,220	85.20 [2]	0.00 [9]	85.20 [2]
152	Return for Equity (L150 - L151)	765,137	(181,467)	583,670	(61)	583,609	0.00 [2]	0.00 [9]	0.00 [2]
153									158,962
154	Total Requirement (L148 + L150 = L30)	4,904,084		4,809,871		4,809,871	28.55 [8]	(0.93) [9]	27.62 [8]
155									522,978
156	RATE BASE	14,556,650 [3]	1,221,798 [4]	15,778,448 [3]	3,917 [7]	15,782,365			
157									
158									
159			Change	Adjusted					
160	Calculation of Change in Cash Working Capital (CWC) due to Adjustments	Per Books	in CWC	in CWC					
161	Annual Requirement	4,904,084		4,809,871					
162	Daily Requirement (L140 / 365 Days)	13,436		13,178					
163	Net Lag Days (L138, Rounded Per Books)	11.54		12.06					
164	Est. CWC Req. Before Sales Tax Requirement (L141 x L142)	155,064		158,981					
165	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]					
166									
167	Total Cash Working Capital Requirements (L164 + L165)	161,268	3,917 [4]	165,185					
168									
169	Revenue Lag Days (Per Line 47, Columns (f) & (h))	40.09		39.6865					
170	Requirement Lead Days (Per Line 159, Columns (f) & (h))	28.55		27.6221					
171									
172	Net Lag Days (L169 - L170)	11.54		12.06					

Notes:

- [1] Columns (a) and (f) match Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Summary
[2] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Study
[3] Exhibit C in Docket E-7, Sub 1214
[4] Column (b) = Column (c) - Column (a)
[5] Line 156 x Debt Rate: 4.29% and Debt Ratio: 47%
[6] Interest Expense: - L151 x Tax Rate: 23.3503%
[7] Line 167, Column (b)
[8] New weighted averages calculated.
[9] Column (g) = Column (h) - Column (f)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

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Supplemental Rebuttal

E-1 Item 14

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

Line No	Description	Actual Annual Expense [A]	Lead (Lag) Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag		40.09	
2				
3	Operation & Maintenance Expense	\$ 2,559,661	30.71	\$ 78,598,072
4	Depreciation and Amortization	838,805	0.000	-
5	Taxes Other Than Income Taxes	194,681	168.11	32,727,032
6	Interest on Customer Deposits	7,130	218.40	1,557,121
7	Net Income Taxes	224,997	0.48	107,266
8	ITC	(3,526)	0.00	-
9	Income for Return	1,082,336	24.97	27,025,317
10	Total Requirements (Sum L3 through L9)	<u>\$ 4,904,084</u>	28.55	<u>\$ 140,014,807</u>
11				
12	Revenue Lag Days (L1)		40.09	
13	Requirements Lead Days (-L10)		-28.55	
14	Net Lag Days (L12 + L13)		<u>11.54</u>	
15	Daily Requirements (Line 10, Col. A divided by 365)			\$ 13,436
16				
17	Estimated Cash Working Capital Requirements (L14 x L15)			\$ 155,064
18	Add: Cash Working Capital Related to NC Sales Tax			6,204
19	Total Cash Working Capital Requirements (L17 + L18)			<u>\$ 161,268</u>
20				
21	Calculation of Total Company and Jurisdictional Amounts:			
22	NC Retail Factor "All - Rate Base x CWC" Allocation Factor			68.1442%
23				
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 236,657
25				
26	NC Retail Factor			68.1442%
27	SC Retail Factor			23.4945%
28	NC Wholesale Factor			4.6385%
29	SC Wholesale Factor			3.6759%
30	Other			0.0469%
31	Total (Sum L26 through L29)			<u>100.0000%</u>
32				
33	NC Retail Cash Working Capital Requirement (L24 x L26)			\$ 161,267.787
34	SC Retail Cash Working Capital Requirement (L24 x L27)			55,601.207
35	NC Wholesale Cash Working Capital Requirement (L24 x L28)			10,977.210
36	SC Wholesale Cash Working Capital Requirement (L24 x L29)			8,699.225
37	Other Cash Working Capital Requirement (L25 x L30)			111.093
38	Total Company Cash Working Capital Requirement (Sum L33 through L37)			<u>\$ 236,656.522</u>

Duke Energy Carolinas, LLC

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Adjust cash working capital for present revenue annualized and proposed revenue

Supplemental Rebuttal

For the test period ended December 31, 2018

Line

<u>No</u>	<u>Description</u>	<u>Rate</u>	<u>Ratio</u>	<u>Weighted</u>
1	Debt	4.2900% [1]	47.0000% [1]	2.0163% [2]
2	Equity	10.3000% [1]	53.0000% [1]	5.4590% [3]
3	Total ROR (L1 + L2)			7.4753%
4				
5	Statutory tax rate	23.3503% [4]		
6	Statutory regulatory fee percentage rate	0.12967% [5]		
7	Uncollectibles	0.25010% [6]		

Notes:

[1] Docket No. E-7, Sub 1214, McManeus Exhibit 1, Page 2

[2] Debt Rate x Debt Ratio

[3] ROE x Equity Ratio

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

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

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018

NC-2900
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts depreciation and amortization, and income taxes for the amortization of the deferred storm expenses related to Hurricanes Florence and Michael and Winter Storm Diego (E-7 Sub 1187).

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

September Update

NC-2905 Line 5 corrected Allocation factor and updated figures with Actual final figures.

NC-2902 Corrected depreciation to be calculated on a one month lag. Updated Depreciation rates to reflect rates as of 12/31/2018.

October update

NC-2905 - Updated Storm costs per latest actuals

November update

NC-2905 - Updated Storm costs per latest actuals

December update

NC-2905 - Updated Storm costs per latest actuals

January Supplemental

NC-2905 - Updated Storm costs per latest actuals

NC-2902 - Updated monthly distribution assets/plant balance to reflect actual date in Power Plant and not date of storms

NC-2902, NC-2903 and NC-2904 - updated composite depreciation rate to exclude AMR meters, which had not been captured in previous versions

January Supplemental

Corrected amount on NV-2905 Line 2

Supplemental Rebuttal

Per settlement agreement and stipulation, removing storm deferral request from the base rate request.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2900
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Supplemental Rebutta

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail January - Rebuttal	Total NC Retail January - Supplemental	Total NC Retail Application	Total NC Retail Change
1							
2	<u>Pro Formas Impacting Income Statement Line Items</u>						
3							
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -
5							
6	Electric operating expenses:						
7	Operation and maintenance						
8	Fuel used in electric generation		-	-	-	-	-
9	Purchased power		-	-	-	-	-
10	Other operation and maintenance expense		-	-	-	-	-
11	Depreciation and amortization	NC-2901	(409)	24,396	24,696	24,179	(24,588)
12	General taxes		-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-
14	Income taxes	NC-2901	96	(5,696)	(5,767)	(5,646)	5,741
15	Amortization of investment tax credit		-	-	-	-	-
16							
17	Total electric operating expenses	Sum L8 through L15	(314)	18,699	18,929	18,533	(18,846)
18							
19	Operating income	L4 - L17	\$ 314	\$ (18,699)	\$ (18,929)	\$ (18,533)	\$ 18,846
20							
21	Notes:						
22	Revenue: positive number increases revenue / negative number decreases revenue						
23	Expense: positive number increases expense / negative number decreases expense						
24							
25							
26	<u>Pro Formas Impacting Rate Base Line Items</u>						
27							
28	Electric plant in service		\$ (18,575)	\$ -	\$ -	\$ -	\$ (18,575)
29	Accumulated depreciation and amortization		442	-	-	-	442
30	Electric plant in service, net	L28 + L29	\$ (18,133)	\$ -	\$ -	\$ -	\$ (18,133)
31							
32	Add:						
33	Materials and supplies		-	-	-	-	-
34	Working capital investment	NC-2901	-	170,769	172,870	169,251	(169,251)
35			-	-	-	-	-
36							
37	Less:						
38	Accumulated deferred taxes	NC-2901	-	(39,875)	(40,366)	(39,520)	39,520
39	Operating reserves		-	-	-	-	-
40			-	-	-	-	-
41							
42	Construction work in progress		-	-	-	-	-
43							
44	Total impact to rate base	Sum L30 through L42	\$ (18,133)	\$ 130,894	\$ 132,505	\$ 129,730	\$ (147,864)
45							
46	Note:						
47	Rate Base: positive number increases rate base / negative number decreases rate base						

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Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2901
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Supplemental Rebuttal

Line No.	Month	Cumulative Deferred Storm Costs Balance			
		Distribution	Transmission	Production	Total
1	<u>Impact to Income Statement Line Items</u>				
2	Projected ending balance at July 31, 2020	\$ 188,578 [1]	\$ 6,587 [2]	\$ - [3]	\$ 195,165
3	Years to amortize	8	8	8	
4	Impact to depreciation and amortization (L2 / L3)	\$ 23,572	\$ 823	\$ -	\$ 24,396
5					
6	Remove storm deferral costs from rate case (-L4)	\$ (23,572)	\$ (823)	\$ -	\$ (24,396)
7					
8	Remove storm assets from base rates	\$ (409) [5]	\$ - [5]	\$ - [5]	\$ (409)
9	Impact to depreciation and amortization expense (L4 + L6 + L8)	\$ (409)	\$ -	\$ -	\$ (409)
10					
11	Statutory tax rate	23.3503% [4]	23.3503%	23.3503%	
12	Impact to income taxes ((-L9) x L11)	\$ 96	\$ -	\$ -	\$ 96
13					
14	Impact to operating income (-L9 - L12)	\$ 314	\$ -	\$ -	\$ 314
15					
16	<u>Impact to Rate Base Line Items</u>				
17	Impact to electric plant in service to remove storm assets from base rates	\$ (18,575) [5]	\$ - [5]	\$ - [5]	\$ (18,575)
18					
19	Impact to accumulated depreciation to remove storm assets from base rates	442 [5]	- [5]	- [5]	442
20					
21	Impact to net plant (L17 + L19)	\$ (18,133)	\$ -	\$ -	\$ (18,133)
22					
23	Projected July 31, 2020 storm deferral balance for rate base (L2)	\$ 188,578	\$ 6,587	\$ -	\$ 195,165
24	Less: 1st year storm deferral amortization (-L4)	(23,572)	(823)	-	(24,396)
25	Projected storm deferral balance for rate base (L23 + L24)	\$ 165,005	\$ 5,764	\$ -	\$ 170,769
26					
27	Remove storm deferral costs from rate case (-L25)	\$ (165,005)	\$ (5,764)	\$ -	\$ (170,769)
28					
29	Impact to working capital investment (L25 + L27)	\$ -	\$ -	\$ -	\$ -
30					
31	Deferred tax rate	23.3503%	23.3503%	23.3503%	
32	Impact to accumulated deferred income taxes (L30)	\$ -	\$ -	\$ -	\$ -
33					
34	Impact to rate base (L21 + L29 + L32)	\$ (18,133)	\$ -	\$ -	\$ (18,133)

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

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

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

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

[5] NC-2906 - NC Storm Cost Asset impacts as of January 2020

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2902
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Supplemental Rebuttal

Projected Storm Deferral Balance-Distribution

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	49,230.09	34.64	105.60	49,370	49,370
2	October 31, 2018	-	-	-	-	-	-	-	71,628	120	365	72,113	121,483
3	November 30, 2018	-	-	-	-	-	-	-	-	171	521	692	122,175
4	December 31, 2018	19,081	-	-	19,081	18	53	-	43,163	202	617	44,053	166,229
5	January 31, 2019	17,905	35	(35)	17,870	34	103	35	-	234	713	1,120	167,349
6	February 28, 2019	18,575	33	(68)	18,507	33	102	33	-	236	718	1,122	168,471
7	March 31, 2019	18,575	34	(102)	18,473	34	103	34	-	237	723	1,132	169,602
8	April 30, 2019	18,575	34	(136)	18,439	34	103	34	-	239	728	1,138	170,740
9	May 31, 2019	18,575	34	(170)	18,405	34	103	34	-	240	733	1,144	171,885
10	June 30, 2019	18,575	34	(204)	18,371	34	103	34	-	242	738	1,150	173,035
11	July 31, 2019	18,575	34	(238)	18,337	34	103	34	-	244	743	1,157	174,192
12	August 31, 2019	18,575	34	(272)	18,303	34	103	34	-	245	748	1,163	175,355
13	September 30, 2019	18,575	34	(306)	18,269	34	102	34	-	247	753	1,169	176,524
14	October 31, 2019	18,575	34	(340)	18,235	34	102	34	-	249	758	1,176	177,700
15	November 30, 2019	18,575	34	(374)	18,201	33	102	34	-	250	763	1,182	178,883
16	December 31, 2019	18,575	34	(408)	18,167	33	102	34	-	252	768	1,189	180,071
17	January 31, 2020	18,575	34	(442)	18,133	33	102	34	-	254	773	1,195	181,267
18	February 29, 2020	18,575	34	(476)	18,099	33	101	34	-	255	778	1,202	182,469
19	March 31, 2020	18,575	34	(510)	18,065	33	101	34	-	257	783	1,208	183,677
20	April 30, 2020	18,575	34	(544)	18,031	33	101	34	-	259	788	1,215	184,892
21	May 31, 2020	18,575	34	(578)	17,997	33	101	34	-	260	794	1,222	186,114
22	June 30, 2020	18,575	34	(612)	17,963	33	101	34	-	262	799	1,228	187,342
23	July 31, 2020	18,575	34	(646)	17,929	33	100	34	-	264	804	1,235	188,578
24	Total Costs Through July 31, 2020					653	1,992	646	164,021	5,253	16,012	188,578	

Docket No. E-7, Sub 1146
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
25 Long-Term Debt	48.00%	4.59%	2.20%	23.3503%	2.20%	1.69%
26 Common Equity	52.00%	9.90%	5.15%		6.72%	5.15%
27 Total		14.49%	7.35%		8.92%	6.84%

Depreciation Rates

28 Book Depr Rate - Distribution	2.20% [2]
29 Book Depr Rate - Transmission	2.05% [2]
30 Book Depr Rate - Production	3.21% [2]

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

[2] NC-2602 - Current Depreciation Rates

Duke Energy Carolinas, LLC
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Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

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Supplemental Rebuttal

Projected Storm Deferral Balance-Transmission

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	4,463	3	10	4,476	4,476
2	October 31, 2018	-	-	-	-	-	-	-	940	7	21	968	5,444
3	November 30, 2018	-	-	-	-	-	-	-	-	8	23	31	5,475
4	December 31, 2018	-	-	-	-	-	-	-	406	8	24	439	5,913
5	January 31, 2019	-	-	-	-	-	-	-	-	8	25	34	5,947
6	February 28, 2019	-	-	-	-	-	-	-	-	8	26	34	5,981
7	March 31, 2019	-	-	-	-	-	-	-	-	8	26	34	6,015
8	April 30, 2019	-	-	-	-	-	-	-	-	8	26	34	6,049
9	May 31, 2019	-	-	-	-	-	-	-	-	9	26	34	6,084
10	June 30, 2019	-	-	-	-	-	-	-	-	9	26	35	6,118
11	July 31, 2019	-	-	-	-	-	-	-	-	9	26	35	6,153
12	August 31, 2019	-	-	-	-	-	-	-	-	9	26	35	6,188
13	September 30, 2019	-	-	-	-	-	-	-	-	9	27	35	6,224
14	October 31, 2019	-	-	-	-	-	-	-	-	9	27	35	6,259
15	November 30, 2019	-	-	-	-	-	-	-	-	9	27	36	6,295
16	December 31, 2019	-	-	-	-	-	-	-	-	9	27	36	6,331
17	January 31, 2020	-	-	-	-	-	-	-	-	9	27	36	6,367
18	February 29, 2020	-	-	-	-	-	-	-	-	9	27	36	6,403
19	March 31, 2020	-	-	-	-	-	-	-	-	9	27	36	6,439
20	April 30, 2020	-	-	-	-	-	-	-	-	9	28	37	6,476
21	May 31, 2020	-	-	-	-	-	-	-	-	9	28	37	6,513
22	June 30, 2020	-	-	-	-	-	-	-	-	9	28	37	6,550
23	July 31, 2020	-	-	-	-	-	-	-	-	9	28	37	6,587
24	Total Costs Through July 31, 2020					-	-	-	5,809	192	586	6,587	

Docket No. E-7, Sub 1146
Cost of Capital

	Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
				Tax Rate	Pre-Tax	After-Tax
25 Long-Term Debt	48.00%	4.59%	2.20%	23.3503%	2.20%	1.69%
26 Common Equity	52.00%	9.90%	5.15%		6.72%	5.15%
27 Total		14.49%	7.35%		8.92%	6.84%

Depreciation Rates

28 Book Depr Rate - Distribution	2.20% [2]
29 Book Depr Rate - Transmission	2.05% [2]
30 Book Depr Rate - Production	3.21% [2]

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

[2] NC-2602 - Current Depreciation Rates

Duke Energy Carolinas, LLC
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Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

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Supplemental Rebuttal

Projected Storm Deferral Balance-Production

Line No.	Month and Year	Plant Bal [1]	Book Depr	Accum Depr	Rate Base	Def Cost of Cap-Debt	Def Cost of Cap-Equity	Def Depr Exp	Def O&M Exp [1]	After-Tax Ret on Def Costs-Debt	After-Tax Ret on Def Costs-Equity	Total Def Amount	Cumulative Balance
1	September 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-
2	October 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
3	November 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-
4	December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
5	January 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
6	February 28, 2019	-	-	-	-	-	-	-	-	-	-	-	-
7	March 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
8	April 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
9	May 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
10	June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
11	July 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
12	August 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
13	September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
14	October 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
15	November 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
16	December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
17	January 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
18	February 29, 2020	-	-	-	-	-	-	-	-	-	-	-	-
19	March 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
20	April 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-
21	May 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
22	June 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-
23	July 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-
24	Total Costs Through July 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-

<u>Docket No. E-7, Sub 1146</u> <u>Cost of Capital</u>		Assumed Capital Structure	Cost Rates	Weighted Rates	Tax Rate at 21%		
					Tax Rate	Pre-Tax	After-Tax
25	Long-Term Debt	48.00%	4.59%	2.20%	23.3503%	2.20%	1.69%
26	Common Equity	52.00%	9.90%	5.15%		6.72%	5.15%
27	Total		<u>14.49%</u>	<u>7.35%</u>		<u>8.92%</u>	<u>6.84%</u>

<u>Depreciation Rates</u>	
28	Book Depr Rate - Distribution 2.20% [2]
29	Book Depr Rate - Transmission 2.05% [2]
30	Book Depr Rate - Production 3.21% [2]

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

[2] NC-2602 - Current Depreciation Rates

Duke Energy Carolinas, LLC
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Update deferred balance and amortize storm costs
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NC-2905
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Supplemental Rebuttal

NC Storm Cost Data as of January 2020

Line No.	Description	Hurricane Florence - Sep 2018			Hurricane Michael - Oct 2018			Winter Storm Diego - Dec 2018		
		System	Allocator	NC Retail	System	Allocator	NC Retail	System	Allocator	NC Retail
1	Distr-O&M	81,468	Direct	71,141	78,875	Direct	71,628	54,935	Direct	43,163
2	Deductible			(21,911) [2]						
3	Distr-Capital	5,407	Direct	3,603	11,344	Direct	10,701	6,821	Direct	4,272
4										
5	Trans-O&M	8,475	53%	4,463 [1]	1,785	53%	940 [1]	772	53%	406 [1]
6	Trans-Capital									
7										
8	Prod-O&M									
9	Prod-Capital									

[1] Transmission Demand Allocator

[2] Storm normalization adjustment

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Update deferred balance and amortize storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2906
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Supplemental Rebuttal

NC Storm Cost Asset impacts as of January 2020

Line No.	Description	Plant in Service 1/31/2020	Proposed Rate	Proposed Calculated Annual Accrual
1	<u>Impact to Income Statement Line Items</u>			
2	<u>Depreciation and amortization:</u>			
3	Distribution - storm assets	\$ 18,575 [1]	2.20% [4]	\$ 409
4	Transmission - storm assets	- [2]	2.23% [5]	-
5	Production - storm assets	- [3]	3.70% [5]	-
6	Impact to depreciation and amortization to remove storm assets from base rates (L3 through L5)			<u>\$ (409)</u>
7				
8	Taxable income (-L6)			\$ 409
9	Statutory tax rate			23.3503% [7]
10	Impact to income taxes to remove storm assets from base rates (L8 * L9)			<u>\$ 96</u>
11				
12	Impact to operating income to remove storm assets from base rates (L8 - L10)			<u>\$ 314</u>
13				
14		Balances at 1/31/2020		Adjustment Amount
15	<u>Impact to Rate Base Line Items</u>			
16	<u>Electric Plant in Service:</u>			
17	Distribution - storm assets (L3)	\$ 18,575		\$ (18,575)
18	Transmission - storm assets (L4)	-		-
19	Production - storm assets (L5)	-		-
20	Impact to electric plant in service to remove assets from base rates (L17 through L19)			<u>\$ (18,575)</u>
21				
22	<u>Accumulated Depreciation:</u>			
23	Distribution - storm assets	\$ (442) [1]		\$ 442
24	Transmission - storm assets	- [2]		-
25	Production - storm assets	- [3]		-
26	Impact to accumulated depreciation to remove assets from base rates (L23 through L25)			<u>\$ 442</u>
27				
28	<u>Net electric plant:</u>			
29	Distribution - storm assets (L17 + L23)			\$ (18,133)
30	Transmission - storm assets (L18 + L24)			-
31	Production - storm assets (L19 + L25)			-
32	Impact to net plant to remove storm assets from base rates (L29 through L31)			<u>\$ (18,133)</u>
33				
34	Impact to rate base to remove storm assets from base rates (L32)			<u>\$ (18,133)</u>

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

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

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

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

[5] Proposed 2018 Depreciation study

[6] NC-1001 - Adjust for post test year additions, line 69

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize Protected Federal EDIT
For the test period ended December 31, 2018

NC-3500
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

Supplemental Rebuttal

As agreed with in Boswell settlement exhibit Sch 3-1 Protected EDIT, this pro forma reflects a shift of the flowback of protected federal EDIT resulting from the Federal Tax Cuts and Jobs Act through base rates, instead of flowing it back through DEC's initially proposed EDIT rider.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Amortize Protected Federal EDIT
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3500
Page 1 of 1
Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal
1			
2	<u>Pro Formas Impacting Income Statement Line Items</u>		
3			
4	Electric operating revenue		
5			
6	Electric operating expenses:		
7	Operation and maintenance		
8	Fuel used in electric generation		-
9	Purchased power		-
10	Other operation and maintenance expense		-
11	Depreciation and amortization		
12	General taxes		-
13	Interest on customer deposits		-
14	Income taxes		6,943
15	EDIT Amortization		(29,734)
16	Amortization of investment tax credit		-
17			
18	Total electric operating expenses	Sum L8 through L15	(22,791)
19			
20	Operating income	L4 - L17	<u>\$ 22,791</u>
21			
22	Notes:		
23	Revenue: positive number increases revenue / negative number decreases revenue		
24	Expense: positive number increases expense / negative number decreases expense		
25			
26			
27	<u>Pro Formas Impacting Rate Base Line Items</u>		
28			
29	Electric plant in service		\$ -
30	Accumulated depreciation and amortization		
31	Electric plant in service, net	Sum L28 through L29	-
32			
33	Add:		
34	Materials and supplies		-
35	Working capital investment		29,734
36			
37			
38	Less:		
39	Accumulated deferred taxes		(6,943)
40	Operating reserves		-
41			
42			
43	Construction work in progress		-
44			
45	Total impact to rate base	Sum L30 through L42	<u>\$ 22,791</u>
46			
47	Note:		
48	Rate Base: positive number increases rate base / negative number decreases rate base		

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Correct Lead Lag Per Books amount
For the test period ended December 31, 2018

NC-3501
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Supplemental Rebuttal

<u>No.</u>	<u>Description</u>	<u>Amount</u>
1	<u>Impact to Operating Income</u>	
2	Annual amortization of protected EDIT - NC retail	(29,734) [1]
3	Income tax impact (L2 x - Statutory tax rate)	6,943 [2]
4	Annual amortization of protected EDIT - NC retail, net of tax (L2 + L3)	(22,791)
5		
6	<u>Impact to Rate Base</u>	
7	Adjustment to regulatory assets and liabilities (- L2)	29,734
8	Income tax impact (L7 x - Statutory tax rate)	(6,943)
9	Adjustment to rate base (L8 + L10)	22,791

[1] McManeus Supplemental Exhibit, Page 1 Line 11 column a.

[2] Statutory tax rate

23.3503%

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018

NC-3600
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

Supplemental Rebuttal Update

Adjustment to remove certain expenses agreed to in the partial settlement and stipulation.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3600
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Supplemental Rebuttal

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Total NC Retail Supplemental Rebuttal</u>
1			
2	<u>Pro Formas Impacting Income Statement Line Items</u>		
3			
4	Electric operating revenue		
5			
6	Electric operating expenses:		
7	Operation and maintenance		
8	Fuel used in electric generation		-
9	Purchased power		-
10	Other operation and maintenance expense		(4,272)
11	Depreciation and amortization		-
12	General taxes		-
13	Interest on customer deposits		-
14	Income taxes		997
15	Amortization of investment tax credit		-
16			
17	Total electric operating expenses	Sum L8 through L15	(3,274)
18			
19	Operating income	L4 - L17	\$ 3,274
20			
21	Notes:		
22	Revenue: positive number increases revenue / negative number decreases revenue		
23	Expense: positive number increases expense / negative number decreases expense		
24			
25			
26	<u>Pro Formas Impacting Rate Base Line Items</u>		
27			
28	Electric plant in service		\$ -
29	Accumulated depreciation and amortization		
30	Electric plant in service, net	Sum L28 through L29	-
31			
32	Add:		
33	Materials and supplies		-
34	Working capital investment		-
35			-
36			
37	Less:		
38	Accumulated deferred taxes		-
39	Operating reserves		-
40			
41			
42	Construction work in progress		-
43			
44	Total impact to rate base	Sum L30 through L42	\$ -
45			
46	Note:		
47	Rate Base: positive number increases rate base / negative number decreases rate base		

Duke Energy Carolinas, LLC
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Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3601
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Supplemental Rebuttal

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1	Impact to Income Statement Line Items:			
2	Remove O&M related to Sponsorships	\$ (136) [1]	67.4345% [1]	\$ (92)
3	Remove O&M related to Lobbying	(3,352) [2]	67.7195% [2]	(2,270)
4	Remove O&M related to BOD	(2,832) [3]	67.4345% [3]	(1,910)
5	Impact to other operation and maintenance expense (Sum L2 through L4)	<u>\$ (6,320)</u>		<u>\$ (4,272)</u>
6				
7	Taxable income (-L5)	\$ 6,320		\$ 4,272
8	Statutory tax rate	23.3503% [4]		23.3503% [4]
9	Impact to income taxes (L7 x L8)	<u>\$ 1,476</u>		<u>\$ 997</u>
10				
11	Impact to operating income (L7 - L9)	<u><u>\$ 4,845</u></u>		<u><u>\$ 3,274</u></u>

[1] NC-3602 - Settlement adjustment to remove certain Sponsorships cost

[2] NC-3603 - Settlement adjustment to remove amounts defined by PS as Lobbying

[3] NC-3604 - Settlement adjustment to remove certain BOD expenses

[4] NC-0104 - 2018 Calculation of Tax Rates - Statutory Tax Rate, Line 10

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

NC-3602
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Supplemental Rebuttal

Settlement adjustment to remove certain Sponsorships cost

Line No	Item	Amount
1	Remove sponsorships and donations related to chambers of commerce	\$ (136)
2	NC retail percentage	67.4345%
3	NC Retail Adjustment to Other O&M	\$ (92)
4		
5	Taxable income (-L3)	\$ 92
6	Statutory tax rate	23.3503%
7	Impact to income taxes (L13 x L14)	\$ 21.47

Duke Energy Carolinas, LLC
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Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

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Supplemental Rebuttal

Settlement adjustment to remove amounts defined by PS as Lobbying

Line No.	Item	Amount
1	Remove Stakeholder Engagement O&M charges related to lobbying	(\$1,750) 1/
2	Remove State Government Affairs O&M charges related to lobbying	(97) 1/
3	Remove Federal Affairs O&M charges related to lobbying	(1,505) 1/
4	Total lobbying costs to be removed from O&M expense (L1 + L2 + L3)	(3,352)
5		
6	NC retail percentage	67.7195% 2/
7	Public Staff adjustment to remove lobbying expense (L4 x L5)	(\$2,270)
8		
9	Taxable income (-L3)	\$ 2,270
10	Statutory tax rate	23.3503%
11	Impact to income taxes (L13 x L14)	\$ 530.05

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

2/ Labor allocation factor.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

NC-3604
Page 1 of 1
Supplemental Rebuttal

Settlement adjustment to remove certain BOD expenses

Line No.	Item	Amount
1	Total Board of Directors (BOD) cash compensation	\$ 645 1/
2	Percentage of exclusion per Settlement	50% 2/
3	Adjustment to BOD compensation (-L1 x L2)	<u>\$ (323)</u>
4	BOD insurance charged to DEC	\$ 4,659 3/
5	Percentage of exclusion per Settlement	50% 2/
6	Adjustment to BOD insurance (-L4 x L5)	<u>\$ (2,330)</u>
7	BOD and executive members expenses allocated to DEC	\$ 357 4/
8	Percentage of exclusion per Settlement	50% 2/
9	Adjustment to BOD and executive members expenses (-L7 x L8)	<u>\$ (179)</u>
10	Total adjustment to BOD compensation and expenses (L3 + L6 + L9)	\$ (2,832)
11	NC retail percentage	67.4345% 5/
12	Adjustment to BOD expenses - NC retail (L10 x L11)	<u>\$ (1,910)</u>
13	Taxable income (-L3)	\$ 1,910
14	Statutory tax rate	23.35%
15	Impact to income taxes (L13 x L14)	<u>\$ 446</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, Sub 1214
Normalize for storm costs
For the test period ended December 31, 2018

NC-3700
Narrative
Supplemental Rebuttal

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expenses and income taxes in the test period to normalize for storm costs as reflected in the Settlement agreement.

The impact to operation and maintenance expense is determined by calculating an average level of storm costs experienced by the Company over the last ten years and then subtracting storm restoration costs incurred during the test period.

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

Supplemental Rebuttal

This adjustment was agreed to as part of the Settlement agreement.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Normalize for storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3700
Page 1 of 1
Supplemental Rebuttal

Line No.	Description	Source	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue		\$ -	\$ -	\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense	NC-3701	1,610	-	1,610
11	Depreciation and amortization		-	-	-
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes	NC-3701	(376)	-	(376)
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	1,234	-	1,234
18					
19	Operating income	L4 - L17	\$ (1,234)	\$ -	\$ (1,234)
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization				
30	Electric plant in service, net	Sum L28 through L29	-	-	-
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Normalize for storm costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3701
Page 1 of 1
Supplemental Rebuttal

Line No.	Item	Amount
	<u>Normalized storm expense</u>	
1	NC retail amount of storm costs considered normal for 2018	\$19,798 1/
2	NC retail percentage	73.6369% 2/
3	2018 storm costs to be included in calculation of normalized level (L1 / L2)	26,886
4	2010 through 2019 costs adjusted for inflation, excluding 2018	250,780 3/
5	Total storm costs for ten years adjusted for inflation (L3 + L4)	277,666
6	Number of years	10
7	Normalized level of storm costs - total system (L5 x L6)	27,767
8	NC retail percentage	73.6369% 2/
9	Normalized level of storm costs per Public Staff (L7 x L8)	20,447
10	2018 Storm costs	18,837 4/
11	Impact to other operation and maintenance expense (L9 - L10)	1,610
12		
13	Taxable income (-L11)	(1,610)
14	Statutory tax rate	23.3503% 5/
15	Impact to income taxes (L13 x L14)	(376)

1/ NC-2905(E), Line 2, NC Retail column.

2/ Allocation factor distribution overhead lines.

3/ Per Boswell Supplemental and Stipulation Exhibit 1, Schedule 3-1(r), Line 4

4/ Per Company response to DR46-1 4th supplemental.

5/ NC-0104 Line 10

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Summary of Proposed Revenue Adjustments
For the test period ended December 31, 2018

McManeus Supplemental Rebuttal
Exhibit 2

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>NC Retail</u>
1		
2	Revenue Requirement from Exhibit 1	\$ 367,634
3	EDIT Rider	(123,772)
4	Total Requested Increase	<u>\$ 243,862</u>

DUKE ENERGY CAROLINAS, LLC
Revenue Requirement
Docket E7 Sub 1214
(Thousands of Dollars)

McManeus Supplemental Rebuttal
Exhibit 3

Line No.	Item	Amount
1	Revenue requirement increase per Company Supplemental Filing	\$464,585
2	NC-0300 Normalize for weather	(4,046)
3	NC-0400 Annualize revenues for customer growth	(390)
4	NC-1200 Annualize O&M non-labor expenses	5,316
5	NC-2500 Adjust for credit card fees	(47)
6	NC-2900 Update deferred balance and amortize storm costs	(451)
7	NC-3400 Remove certain test year expenses-DEC	(272)
8	Other	(\$11)
9	Revenue requirement increase per Company Rebuttal Filing	\$ 464,686
10		
11	Settled Issues:	
12	Adjust weather normalization to January 31, 2020	- 1/
13	Update revenues to January 31, 2020	(105) 2/
14	Adjust advertising expense	- 3/
15	Adjust retired hydro O&M	- 4/
16	Include flowback of protected federal EDIT due to Tax Cuts and Jobs Act	(27,756)
17	Adjust aviation expenses	(319)
18	Adjust executive compensation	(222)
19	Adjust rate case expense	(217)
20	Adjust incentives	(7,990)
21	Adjust sponsorships & donations	(92)
22	Adjust severance	(3,049)
23	Adjust lobbying expense	(2,279)
24	Adjust Board of Directors expense	(1,917)
25	Adjust credit card fees	5/
26	Adjust inflation to January 31, 2020	(148)
27	Remove storm costs for securitization	(38,570)
28	Adjust storm expense	1,616
29	Adjustments for Settled items	\$ (81,049)
30		
31	Unsettled Issues:	
32	Change in equity ratio from 53.00% to 50.00% equity	-
33	Change in debt cost rate from 4.510% to 4.290%	(21,636)
34	Change in return on equity from 10.30% to 9.00%	-
35	Adjust Company filing from SCP to SWPA	-
36	Remove Clemson CHP	-
37	Adjust for Hydro Station Sale	-
38	Adjust depreciation rates	-
39	Adjust deferred environmental costs	-
40	Adjust deferred non-ARO environmental costs	-
41	Remove federal unprotected EDIT from rate base for treatment as a rider	-
42	Remove federal unprotected EDIT labeled by Company as PP&E from rate base for treatment as a rider	-
43	Remove deferred EDIT refund from rate base for treatment as a rider	-
44	Remove State EDIT refund from rate base for treatment as a rider	-
45	Adjust cash working capital under present rates	487
46	Adjust cash working capital under proposed rates	(902)
47	Adjust synchronized interest expense	6,038
48	Rounding	9
49	Adjustments for Unsettled items	(16,003)
50		
51	Total Revenue impact of adjustments	\$ (97,052)
52		
53	Revenue Requirement from Supplemental Rebuttal Exhibit 1	\$ 367,634

- 1/ See Normalize for Weather above
2/ Plus see Annualize Revenues for Customer Growth above
3/ See Remove Certain Test year expenses above
4/ See Remove Certain Test year expenses above
5/ See Adjust for Credit Card fees above

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Supplemental Rebuttal Exhibit 4

Excess Deferred Income Tax Rider Calculation
(Dollars in thousands)

	Federal EDIT - Unprotected, PP&E related NC Retail	Federal EDIT - Unprotected, non PP&E related NC Retail	NC EDIT NC Retail	Deferred Revenue NC Retail	Total NC Retail
	(A)	(B)	(C)	(D)	(E)
1 Regulatory Federal EDIT liability including gross up on the books as of 12/31/2018, based on 2017 tax returns	[1] \$ (783,045)	\$ (166,964)	\$ (34,339)		(984,347)
2 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2018-12/31/2018	[1]	\$ (29,734)	\$ -		(29,734)
3 Estimated transition of Protected to Unprotected Regulatory liability 1/1/2019-7/31/2020	[1]	\$ (47,078)	\$ -		(47,078)
4 Regulatory Federal EDIT liability including gross up and transition of Protected to Unprotected Regulatory liability as of 7/31/2020 (Sum of L1 to L3)	\$ (783,045)	\$ (243,776)	\$ (34,339)	\$ -	\$ (1,061,159)
5 Adjustment to implement ASU 2018-02	[1]	\$ (1,344)	\$ -		(1,344)
6 Deferred revenues related to 2017 Federal Tax Rate Change as of 12/31/2018	[1]			\$ (112,661)	(112,661)
7 Other projected updates through 1/31/2020	[2]		\$ (53.31)	\$ (8,392)	(8,445)
8 Regulatory liability for federal tax change including gross up for NC Retail, for Year 1 rider calculation (Sum of L4 to L7)	\$ (783,045)	\$ (245,120)	\$ (34,392)	\$ (121,053)	(1,183,610)
9 Years of rider amortization	20	5	5	5	
10 Annual amortization amount (L8 / L9)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)

[1] Excess deferred tax liability (EDIT) on the books as of 12/31/2018 by jurisdiction, and forecast transition to new rates effective date between categories based on Tax Dept. analysis of ADIT.
Federal EDIT related to the federal tax changes booked to the 0254036 and 0254038 accounts is included in other Working Capital in the per books cost of service.
NC EDIT related to the NC state tax reduction deferred to the 0254150 account not included for recovery in NC EDIT rider approved in prior DEC NC rate case.
This NC EDIT is included in other Working Capital in the per books cost of service study.
Revenues deferred for federal tax changes with accrued returns in the 0229010 account, are currently excluded from rate base in the per books cost of service study.

[2] Actual updates to the NC tax EDIT during 2019 by Tax Dept.
McManeus Supplemental Rebuttal Exhibit 4, Page 3, Line 1 return accruals on deferred revenues in the 0229010 account projected through 1/31/2020.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Supplemental Rebuttal Exhibit 4

			After Tax Weighted Average Cost of Capital (WACC)
Cost of Capital per McManeus Exhibit 1	Ratio	Rate	
Debt	47.00%	4.29%	1.55%
Equity	53.00%	10.30%	5.46%
			7.01%
Statutory Tax Rate			23.35%
Retention factor for NCUC Fee, Uncollectibles			99.62%

Annual Rider Calculation

Amortization - From Page 1, L10														
Federal EDIT														
-														
Year		Beginning Balance, Page 1, L8	Federal EDIT - Unprotected, PP&E related	Unprotected, non PP&E related	NC EDIT	Deferred Revenue	Total Amortization (F) =(B)+(C)+(D)+[E]	Ending Balance before Return (G) = (A) - (F)	Average of Beginning and Ending Balance (H) = ((A) + (G)) /2	EDIT Balance in Base Rates, Page 1, L4	Change in Regulatory Liability for Rider Return	Return for Rider (K) = (J) x After Tax WACC	Rider Revenues (L) = (F) + (K)	Rider Revenues incl. NCUC Fee, Uncollectibles (M) = (L) / Retention Factor
		(A)	(B)	(C)	(D)	(E)				(I)	(J) = (H) - (I)			
Aug 20- Jun 21	1	(1,183,610)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(1,064,345)	(\$1,123,977)	(1,061,159)	(\$62,818)	(\$4,037)	(123,302)	(123,772)
Jul 21- Jun 22	2	(1,064,345)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(945,079)	(\$1,004,712)	(1,061,159)	\$56,447	\$3,957	(115,308)	(115,748) [1]
Jul 22- Jun 23	3	(945,079)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(825,814)	(\$885,447)	(1,061,159)	\$175,712	\$12,317	(106,948)	(107,356) [1]
Jul 23- Jun 24	4	(825,814)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(706,549)	(\$766,181)	(1,061,159)	\$294,978	\$20,678	(98,587)	(98,963) [1]
Jul 24- Jun 25	5	(706,549)	(39,152)	(49,024)	(6,878)	(24,211)	(119,265)	(587,283)	(\$646,916)	(1,061,159)	\$414,243	\$29,038	(90,227)	(90,571) [1]

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Supplemental Rebuttal Exhibit 4

McManeus
Supplemental Rebuttal
Exhibit 4
Page 3 of 3

Deferred Revenue for Federal Tax Rate Change in account 0229010

NC Retail

1	Projected Changes in Deferred Revenue for Federal Tax Rate Change through Jan 2020	(\$8,392,119)
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DUKE ENERGY CAROLINAS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 7,273,365	\$ 4,904,084	\$ (109,378)	\$ 4,794,706	\$ 414,433	\$ 5,209,138
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,504,692	989,374	172,162	1,161,536	-	1,161,536
3	Purchased power	317,798	194,348	(170,936)	23,412	-	23,412
4	Other operation and maintenance expense	2,029,601	1,375,939	(212,083)	1,163,856	1,574	1,165,430
5	Depreciation and amortization	1,193,762	838,805	352,905	1,191,710	-	1,191,710
6	General taxes	291,829	194,681	17,475	212,156	-	212,156
7	Interest on customer deposits	8,169 (b)	7,130	-	7,130	-	7,130
8	Net income taxes	340,714	224,997	(49,668)	175,329	96,191	271,520
9	EDIT Amortization			(29,734)	(29,734)		(29,734)
10	Amortization of investment tax credit	(5,259)	(3,526)	690	(2,836)	-	(2,836)
11	Total electric operating expenses	5,681,305	3,821,748	80,812	3,902,560	97,765	4,000,325
12	Operating income	\$ 1,592,059	\$ 1,082,336	\$ (190,190)	\$ 892,146	\$ 316,668	\$ 1,208,814
13	Original cost rate base (e)	\$ 21,361,527	\$ 14,556,650	\$ 2,565,516 (d)	\$ 17,122,166	\$ 44,582 (f)	\$ 17,166,748
14	Rate of return on North Carolina retail rate base		7.44%		5.21%		7.04%

Notes: (a) From Form E-1 Item 45A

(b) Reclassifies interest on customer deposits to electric operating expense.

(c) From Page 3, Line 35.

(d) From Page 4, Line 9.

(e) From Page 2.

(f) Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY CAROLINAS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 10,993,064	48.00%	\$ 8,218,640	4.27%	\$ 350,936	\$ 8,240,039	4.27%	\$ 351,850
2	Members' equity (a)	11,682,367	52.00%	8,903,526	6.08%	541,210	8,926,709	9.60%	856,964
3	Total	<u>\$ 22,675,431</u>	<u>100.00%</u>	<u>\$ 17,122,166</u> (b)		<u>\$ 892,146</u> (c)	<u>\$ 17,166,748</u> (b)		<u>\$ 1,208,814</u>
4	Operating income before increase (Line 3, Column 5)								892,146
5	Additional operating income required (Line 3 minus Line 4)								316,668
6	Calculate income tax on incremental interest expense due to increase in cash working capital in proposed revenue								(213)
7	Regulatory fee (.12967%), uncollectibles rate (.2501%) and income taxes (23.3503%)								97,978
8	Additional revenue requirement								<u>\$ 414,433</u>

Notes: (a) The equivalent of common equity for a limited liability company.
(b) From Page 1, Line 12, Column 4 and Column 6.
(c) From Page 1, Line 11, Column 4.

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	EDIT Amortization	Amortization of ITC (Col. 8)	Operating Income
1	Annualize retail revenues for current rates	\$ (110,407)	\$ -	\$ -	\$ (826)	\$ -	\$ -	\$ (25,588)		\$ -	(83,994)
2	Update fuel costs to proposed rate	-	209,105	(169,854)	(21,892)	(3,277)	-	(3,288)		-	(10,794)
2E	Update fuel costs to proposed rate	-	-	-	-	3,277	-	(765)		-	(2,512)
3	Normalize for weather	(109,566)	(26,163)	-	(416)	-	-	(19,378)		-	(63,609)
3F	Normalize for weather - Supplemental	12,757	1,138	-	48	-	-	2,702		-	8,869
4	* Annualize revenues for customer growth	9,942	2,775	-	39	-	-	1,664		-	5,464
4J	Annualize revenues for customer growth - Second Settlement	20,525	2,170	-	2,315	-	-	3,745		-	12,295
5	Eliminate unbilled revenues	26,204	-	-	-	-	-	6,119		-	20,085
6	Adjust for costs recovered through non-fuel riders	50,669	(16,862)	(1,082)	(117,348)	(3,071)	(10)	60,905		-	128,138
6F	Adjust for costs recovered through non-fuel riders - Supplemental	-	-	-	(24)	27	-	(1)		-	(2)
7	Adjust O&M for executive compensation	-	-	-	(3,301)	-	-	771		-	2,530
7J	Adjust O&M for executive compensation - Second Settlement	-	-	-	(238)	-	-	55		-	182
8	Annualize depreciation on year end plant balances	-	-	-	-	59,172	-	(13,817)		690	(46,045)
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	(121)	-	28		-	92
9	Annualize property taxes on year end plant balances	-	-	-	-	-	7,469.73	(1,744)		-	(5,726)
10	* Adjust for post test year additions to plant in service	-	-	-	-	50,629	6,771	(13,403)		-	(43,998)
10H	Adjust for post test year additions to plant in service - Second Supplemental	-	-	-	-	24,426	4,504	(6,755)		-	(22,175)
11	* Amortize deferred environmental costs	-	-	-	-	95,913	-	(22,396)		-	(73,517)
11J	Adjust deferred environmental - Second Settlement	-	-	-	-	(8,814)	-	2,058		-	6,756
12	Annualize O&M non-labor expenses	-	-	-	2,631	-	-	(614)		-	(2,017)
12J	Adjust non-labor expenses - Second Settlement	-	-	-	1,963	-	-	(458)		-	(1,505)
13	* Normalize O&M labor expenses	-	-	-	(23,765)	-	(1,162)	5,820		-	19,106
13H	Adjust Normalization O&M Labor Expenses - Second Supplemental	-	-	-	(4,363)	-	138	987		-	3,238
14	Update benefits costs	-	-	-	(1,433)	-	-	335		-	1,099
14E	Update benefits costs	-	-	-	(2,126)	-	-	496		-	1,630
15	* Levelize nuclear refueling outage costs	-	-	-	(2,138)	-	-	499		-	1,639
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	192	-	-	(45)		-	(147)
16	* Amortize rate case costs	-	-	-	801	-	-	(187)		-	(614)
16G	Adjust Amortize Rate Case costs - Supplemental Rebuttal	-	-	-	-	-	-	-		-	-
17	Adjust aviation expenses	-	-	-	(1,986)	-	(27)	470		-	1,543
17G	Adjust aviation expenses - Supplemental Rebuttal	-	-	-	(318)	-	-	74		-	244
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,408	62,706	56	(14,984)		-	(49,187)
19	Adjust for Merger Related Costs	-	-	-	(5,530)	(21)	(73)	1,313		-	4,311
19H	Adjust Merger related Costs - Second Supplemental	-	-	-	-	(35)	-	8		-	27

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 23.6619% (Col. 7)	EDIT Amortization	Amortization of ITC (Col. 8)	Operating Income
20	* Amortize Severance Costs	-	-	-	(46,208)	-	-	10,790		-	35,418
20G	Adjust amortization of Severance Costs - Supplemental Rebuttal	-	-	-	(1,255)	-	-	293		-	962
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	(2,707)		-	2,707
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(2,580)		-	2,580
22J	Adjust Synchronize Interest Expense - Second Settlement	-	-	-	-	-	-	(5,303)		-	5,303
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	-	-	-	103		-	(103)
23J	Adjust Cash Working Capital - Second Settlement	-	-	-	-	-	-	(98)		-	98
24	Adjust coal inventory	-	-	-	-	-	-	-		-	-
25	* Adjust for credit card fees	-	-	-	8,774	-	-	(2,049)		-	(6,725)
25F	Adjust Credit Card Fees - Supplemental	-	-	-	202	-	-	(47)		-	(155)
26	* Adjust Depreciation for new rates	-	-	-	-	72,133	-	(16,843)		-	(55,290)
26E	Adjust Depreciation for new rates - Supplemental	-	-	-	-	781	-	(182)		-	(599)
27	Adjust vegetation management expenses	-	-	-	7,739	-	-	(1,807)		-	(5,932)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(1,808)	-	422		-	1,386
29	* Update deferred balance and amortize storm costs	-	-	-	-	24,179	-	(5,646)		-	(18,533)
29H	Remove storm costs for securitization - Second Supplemental	-	-	-	-	(24,588)	-	5,741		-	18,846
30	Adjust Other Revenue	(9,502)	-	-	(36)	-	-	(2,210)		-	(7,256)
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	(500)	-	-	117		-	383
32	* Adjust for Hydro Stations Sale	-	-	-	(1,560)	1,773	(193)	(5)		-	(16)
32E	Adjust for Hydro Stations Sale - Supplemental	-	-	-	-	36	-	(8)		-	(27)
33D	Correct Lead Lag Per Books	-	-	-	-	-	-	-		-	-
34F	Remove Certain Test Period Expenses - Rebuttal	-	-	-	(271)	-	-	63		-	208
35G	Amortize Protected EDIT - Supplemental Rebuttal	-	-	-	-	-	-	6,943	(29,734)	-	22,791
36J	Settlement adjustment to remove certain items Second Settlement	-	-	-	(4,272)	(413)	-	1,094		-	3,591
37G	Storm Normalization - Supplemental Rebuttal	-	-	-	1,610	-	-	(376)		-	(1,234)
38J	Adjust Rate base for EDIT per settlement										
39	Total adjustments - Original Filing	\$ (142,660)	\$ 168,854	\$ (170,936)	\$ (205,547)	\$ 358,330	\$ 12,832	\$ (59,918)	\$ -	\$ 690	\$ (246,966)
39J	Changes in Second Settlement	33,282	3,308	-	(6,536)	(5,425)	4,642	10,250	(29,734)	-	56,776
	Total Adjustments	\$ (109,378)	\$ 172,162	\$ (170,936)	\$ (212,083)	\$ 352,905	\$ 17,475	\$ (49,668)	\$ (29,734)	\$ 690	\$ (190,190)

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

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	\$ 109,999	-	109,999
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	\$ 14,136	-	14,136
2E	Update fuel costs to proposed rate - Supplemental	-	-	-	-	-	-	-	-	\$ 3,289	-	3,289
3	Normalize for weather	-	-	-	-	-	-	-	-	\$ 83,303	-	83,303
3F	Normalize for weather - Supplemental	-	-	-	-	-	-	-	-	\$ (11,615)	0	(11,615)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	\$ (7,155)	-	(7,155)
4J	Adjust for costs recovered through non-fuel riders - Second Settlement	-	-	-	-	-	-	-	-	\$ (16,102)	-	(16,102)
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	\$ (26,304)	-	(26,304)
6	Adjust for costs recovered through non-fuel riders	(18,328)	4,243	(42,354)	(19,404)	12,472	-	-	(63,371)	\$ (167,811)	(5,447)	(173,257)
6F	Adjust for costs recovered through non-fuel riders - Supplemental	929	(206)	-	(37,184)	-	-	-	(36,462)	\$ 2	(3,134)	(3,131)
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	\$ (3,314)	-	(3,314)
7J	Adjust O&M for executive compensation - Second Settlement	-	-	-	-	-	-	-	-	\$ (238)	-	(238)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	\$ 60,301	-	60,301
8E	Annualize depreciation on year end plant balances - Supplemental	-	-	-	-	-	-	-	-	\$ (121)	-	(121)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	\$ 7,498	-	7,498
10	* Adjust for post test year additions to plant in service	1,355,958	(619,363)	-	(4,945)	(17,144)	-	-	714,506	\$ 57,620	61,412	119,031
10H	Adjust for post test year additions to plant in service - Second Supplemental	855,724	(210,833)	-	43,220	(26,302)	-	-	661,809	\$ 29,040	56,882	85,923
11	* Amortize deferred environmental costs	-	-	-	383,653	(89,584)	-	-	294,069	\$ 96,279	25,275	121,554
11J	Adjust deferred environmental - Second Settlement	-	-	-	(1,035)	242	-	-	(793)	\$ (8,847)	(68)	(8,916)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	\$ 2,641	-	2,641
12J	Adjust non-labor expenses - Second Settlement	-	-	-	-	-	-	-	-	\$ 1,970	-	1,970
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	\$ (25,021)	-	(25,021)
13H	Adjust Normalization O&M Labor Expenses - Second Supplemental	-	-	-	-	-	-	-	-	\$ (4,241)	-	(4,241)
14	Update benefits costs	-	-	-	-	-	-	-	-	\$ (1,439)	-	(1,439)
14E	Update benefits costs	-	-	-	-	-	-	-	-	\$ (2,134)	-	(2,134)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	\$ (2,146)	-	(2,146)
15E	Adjust Levelized nuclear refueling outage costs - Supplemental	-	-	-	-	-	-	-	-	\$ 193	-	193
16	* Amortize rate case costs	-	-	-	3,080	(719)	-	-	2,361	\$ 804	203	1,007
16G	Adjust Amortize Rate Case costs - Supplemental Rebuttal	-	-	-	(3,080)	719	-	-	(2,361)	\$ -	(203)	(203)
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	\$ (2,021)	-	(2,021)
17G	Adjust aviation expenses - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ (319)	-	(319)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(139,897)	32,666	-	-	(107,231)	\$ 64,415	(9,216)	55,199
19	Adjust for Merger Related Costs	-	338	-	-	-	-	-	338	\$ (5,645)	29	(5,616)
19H	Adjust Merger related Costs - Second Supplemental	(1,577)	107	-	-	-	-	-	(1,469)	\$ (35)	(126)	(162)

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	EPIS	Accum Deprec	Materials & Supplies	Working Capital	ADIT	Operating Reserves	CWIP	Rate Base	Oper Inc Rev Req Impact	R/B Rev Req Impact	Total Rev Req Impact
20	* Amortize Severance Costs	-	-	-	46,113	(10,767)	-	-	35,345	\$ (46,384)	3,038	(43,346)
20G	Adjust amortization of Severance Costs - Supplemental Rebuttal	-	-	-	(46,113)	10,767	-	-	(35,345)	\$ (1,260)	(3,038)	(4,298)
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	\$ (3,545)	-	(3,545)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	\$ (3,379)	-	(3,379)
22J	Adjust Synchronize Interest Expense - Second Settlement	-	-	-	-	-	-	-	-	\$ (6,945)	-	(6,945)
23	* Adjust cash working capital for present revenue annualized and proposed revenue	-	-	-	(20,794)	-	-	-	(20,794)	\$ 135	(1,787)	(1,652)
23J	Adjust Cash Working Capital - Second Settlement	-	-	-	19,720	-	-	-	19,720	\$ (128)	1,695	1,567
24	Adjust coal inventory	-	-	3,848	-	-	-	-	3,848	\$ -	331	331
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	\$ 8,808	-	8,808
25F	Adjust Credit Card Fees - Supplemental	-	-	-	-	-	-	-	-	\$ 203	-	203
26	* Adjust Depreciation for new rates	-	(72,913)	-	-	-	-	-	(72,913)	\$ 72,408	(6,267)	66,141
26E	Adjust Depreciation for new rates - Supplemental	-	(2)	-	-	-	-	-	(2)	\$ 784	(0)	784
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	\$ 7,768	-	7,768
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	\$ (1,815)	-	(1,815)
29	* Update deferred balance and amortize storm costs	-	-	-	169,251	(39,520)	-	-	129,730	\$ 24,271	11,150	35,421
29H	Remove storm costs for securitization - Second Supplemental	(18,575)	578	-	(169,251)	39,520	-	-	(147,727)	\$ (24,681)	(12,697)	(37,379)
30	Adjust Other Revenue	-	-	-	-	-	-	-	-	\$ 9,502	-	9,502
31	Adjust for change in NCUC regulatory fee-DEC	-	-	-	-	-	-	-	-	\$ (502)	-	(502)
32	* Adjust for Hydro Stations Sale	(36,522)	14,093	(146)	19,280	(4,502)	-	-	(7,797)	\$ 20	(670)	(650)
32E	Adjust for Hydro Stations Sale	36,522	(14,093)	-	214	(50)	-	-	22,593	\$ 36	1,942	1,978
33D	Correct Lead Lag Per Books	-	-	-	(16,472)	-	-	-	(16,472)	\$ -	(1,416)	(1,416)
34F	Remove Certain Test Period Expenses	-	-	-	-	-	-	-	-	\$ (272)	-	(272)
35G	Amortize Protected EDIT - Supplemental Rebuttal	-	-	-	29,734	(6,943)	-	-	22,791	\$ (29,847)	1,959	(27,888)
36J	Settlement adjustment to remove certain items Second Settlement	(12,880)	413	-	-	-	-	-	(12,467)	\$ (4,703)	(1,071)	(5,774)
37G	Storm Normalization - Supplemental Rebuttal	-	-	-	-	-	-	-	-	\$ 1,616	-	1,616
38J	Adjust Rate base for EDIT per settlement	-	-	-	-	1,183,610	-	-	1,183,610	\$ -	101,731	101,731
39	Total adjustments - Original Filing	\$ 1,301,107	\$ (673,602)	\$ (38,652)	\$ 436,337	\$ (117,099)	\$ -	\$ -	\$ 908,092	\$ 323,429	\$ 78,050	\$ 401,480
39J	Changes in Second Second Settlement	860,143	(224,035)	-	(180,248)	1,201,564	-	-	1,657,424	(74,355)	142,455	68,101
	Total Adjustments	\$ 2,161,250	\$ (897,636)	\$ (38,652)	\$ 256,088	\$ 1,084,466	\$ -	\$ -	\$ 2,565,516	\$ 249,075	\$ 220,506	\$ 469,580
Notes:	* Identification required by NCUC Rule R1-17(b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DUKE ENERGY CAROLINAS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 41,057,320	\$ 27,969,103	\$ 2,161,250	\$ 30,130,353
2	Less: Accumulated depreciation and amortization	4b	<u>(15,830,487)</u>	<u>(10,810,668)</u>	<u>(897,636)</u>	<u>(11,708,304)</u>
3	Net electric plant		25,226,833	17,158,435	1,263,614	18,422,049
4	Add: Materials and supplies	4c	994,443	678,077	(38,652)	639,426
5	Working capital investment	4d	(406,979)	(253,955)	256,088	2,133
6	Less: Accumulated deferred taxes		(3,824,449)	(2,601,854)	1,084,466 (a)	(1,517,388)
7	Operating reserves		(628,321)	(424,053)	-	(424,053)
8	Construction work in progress		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
9	Total		<u>\$ 21,361,527</u>	<u>\$ 14,556,650</u>	<u>\$ 2,565,516</u>	<u>\$ 17,122,166</u>

DUKE ENERGY CAROLINAS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 22,181,205	\$ 14,978,527	\$ 855,692	\$ 15,834,219
2	Transmission Plant	4,052,747	2,179,775	281,942	2,461,717
3	Distribution Plant	12,085,804	8,938,158	848,858	9,787,016
4	General Plant	1,212,985	830,763	121,110	951,873
5	Intangible Plant	986,751	687,541	53,649	741,191
6	Subtotal	40,519,492 (a)	27,614,764	2,161,250	29,776,015
7	Nuclear Fuel (Net)	537,828	354,338	-	354,338
8	Total electric plant in service	<u>\$ 41,057,320</u>	<u>\$ 27,969,103</u>	<u>\$ 2,161,250</u>	<u>\$ 30,130,353</u>

Notes: (a) Excludes asset retirement obligations, electric plant held for future use, and electric plant acquisition adjustments totaling \$642,372 thousand.
(b) Reflects certain plant in service additions/retirements through January 2020, and a reduction for solar electric plant recovered through the REPS rider.

DUKE ENERGY CAROLINAS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DECEMBER 31, 2018
(Thousands of Dollars)

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (8,604,490)	\$ (5,795,067)	\$ (646,895)	\$ (6,441,962)
2	Transmission Reserve	(1,385,391)	(745,942)	(28,119)	(774,061)
3	Distribution Reserve	(4,816,028)	(3,561,642)	(123,998)	(3,685,640)
4	General Reserve	(414,681)	(285,334)	(34,371)	(319,705)
5	Intangible Reserve	(609,897)	(422,682)	(64,254)	(486,936)
6	Total	<u>\$ (15,830,487)</u>	0 <u>\$ (10,810,668)</u>	<u>\$ (897,636)</u>	<u>\$ (11,708,304)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	4.40%			
9	Nuclear production plant	3.60%			
10	Hydro production plant	2.00%			
11	Other production plant	3.21%			
12	Transmission plant	2.23%			
13	Distribution plant	2.28%			
14	General plant	Various			
15	Intangible plant	20.00%			

Notes: (a) Excludes accumulated amortization of electric plant acquisition adjustment and accumulated depreciation related to asset retirement obligations totaling (\$107,345) thousand.
(b) Consists of adjustments to depreciation for year-end plant and certain plant additions/retirements through January 2020.

DUKE ENERGY CAROLINAS, LLC
MATERIALS AND SUPPLIES
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 175,291	\$ 115,487	\$ 3,848 [a]	\$ 119,336
2	Gas	<u>45,470</u>	<u>29,957</u>	<u>-</u>	<u>29,957</u>
3	Total fuel stock	220,761	145,444	3,848	149,293
4	Other electric materials and supplies and stores clearing	<u>773,682</u>	<u>532,633</u>	<u>(42,500) [b]</u>	<u>490,133</u>
5	Total Materials and Supplies	<u>\$ 994,443</u>	<u>\$ 678,077</u>	<u>\$ (38,652)</u>	<u>\$ 639,426</u>

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

(b) Eliminates (\$42,354) thousand of costs recorded in connection with non-fuel riders and (\$146) related to sale of hydro plants.

DUKE ENERGY CAROLINAS, LLC
WORKING CAPITAL INVESTMENT
DECEMBER 31, 2018
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations			Impact of Rev Incr (Col. 5)	With Rev Incr (Col. 6)
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)		
1	Required bank balance	\$ 300	\$ 204	\$ -	\$ 204		\$ 204
2	Investor advanced funds: Operating funds per lead-lag study	260,829	177,740 (a)	(17,546) (b)	160,194	44,582 (c)	204,776
3	Unamortized Debt	114,911	78,306	-	78,306	-	78,306
4	Pension Funding	580,864	394,363	-	394,363	-	394,363
5	Injuries and Damages	705,912	477,557	-	477,557	-	477,557
6	Regulatory Asset and Liability - Tax	(3,338,909)	(2,208,434)	-	(2,208,434)	-	(2,208,434)
7	Other	1,395,698	922,916	273,635	1,196,551	-	1,196,551
8	Total investor advanced funds	(280,695)	(157,552)	256,088	98,536	44,582	143,118
9	Less: customer deposits	(126,585)	(96,608)	-	(96,608)	-	(96,608)
10	Total working capital investment	<u>\$ (406,979)</u>	<u>\$ (253,955)</u>	<u>\$ 256,088</u>	<u>\$ 2,133</u>	<u>\$ 44,582</u>	<u>\$ 46,715</u>

Notes: (a) From Speros Exhibit 2, Line 19.

(b) Reflects a decrease in 'operating funds per lead-lag study' for the adjusted total requirements in this rate case.

(c) Reflects an increase in 'operating funds per lead-lag study' for the impact of the revenue increase.

Duke Energy Carolinas, LLC
 Docket No. E-7, Sub 1214
 Annualize revenues for customer growth
 For the test period ended December 31, 2018

NC-0400
 Narrative
 Second Settlement

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to revenue is determined as follows:

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

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

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

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

This adjustment updates revenues to reflect customer growth experienced beyond the Test Period, through July 2019. The underlying calculations reflect the same methods used in the Company's rebuttal testimony as explained by Company witness Pirro in Docket E-7 Sub 1146.

January update

NC-0403 was updated for the updated weather impacts reflected in NC-300 as well as customer growth information through January 2020. Removed the usage adjustment for classes T & T2 lighting.

January Rebuttal

NC-0402 was separated into (a) Customer Growth versus (b) Usage adjustments.

For the Usage adjustments, removed Basic Facilities charge from the rate

NC-0403 was separated into Customer Growth versus Usage adjustments.

NC-0404 - Calculations excluding BFC and OPT added.

NC-0405 - Adopted Public Staff's adjustments to Other O&M

Supplemental Rebuttal

Updated NC-0405 General and Industrial to reflect the number of bills added to the test period for new accounts and the number of bills removed from the test period for closed accounts from DEC's customer-by-customer approach for calculating customer growth in alignment with the Public Staff.

Second Supplemental

Customer Growth and usage information was updated through May 2020.

Second Settlement

Per settlement agreement, adjusted the May updates to reflect 75% of the change from January to May.

Line No.	Description	Source	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail
1			Second Settlement	Second Supplemental	Supplemental Rebuttal	January - Rebuttal	January - Supplemental	Application	Change
2	Pro Formas Impacting Income Statement Line Items								
3									
4	Electric operating revenue	NC-0401	\$ 30,467	\$ 25,412	\$ 45,632	\$ 45,632	\$ 40,365	\$ 9,942	\$ 20,525
5									
6	Electric operating expenses:								
7	Operation and maintenance								
8	Fuel used in electric generation	NC-0401	4,945	2,960	10,900	10,900	8,942	2,775	2,170
9	Purchased power		-	-	-	-	-	-	-
10	Other operation and maintenance expense	NC-0401	2,354	2,142	2,969	3,074	153	39	2,315
11	Depreciation and amortization		-	-	-	-	-	-	-
12	General taxes		-	-	-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-	-	-
14	Income taxes	NC-0401	5,410	4,743	7,417	7,392	7,302	1,664	3,745
15	Amortization of investment tax credit		-	-	-	-	-	-	-
16									
17	Total electric operating expenses	Sum L8 through L15	12,709	9,844	21,286	21,366	16,397	4,478	8,230
18									
19	Operating income	L4 - L17	\$ 17,759	\$ 15,568	\$ 24,346	\$ 24,266	\$ 23,968	\$ 5,464	\$ 12,295
20									
21	Notes:								
22	Revenue: positive number increases revenue / negative number decreases revenue								
23	Expense: positive number increases expense / negative number decreases expense								
24									
25									
26	Pro Formas Impacting Rate Base Line Items								
27									
28	Electric plant in service		\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization								
30	Electric plant in service, net	Sum L28 through L29	-		-	-	-	-	-
31									
32	Add:								
33	Materials and supplies								
34	Working capital investment								
35									
36									
37	Less:								
38	Accumulated deferred taxes								
39	Operating reserves								
40									
41									
42	Construction work in progress								
43									
44	Total impact to rate base	Sum L30 through L42	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
45									
46	Note:								
47	Rate Base: positive number increases rate base / negative number decreases rate base								

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Line No.	Description	NC Residential	NC General Service Small and Large	NC General Miscellaneous SGS (BC)	NC Street Lighting T & T2	NC Street Lighting TS	NC Industrial	Total NC Retail	
1									
2	Customer growth and usage revenue adjustment - January	\$ 24,589	\$ 8,955	\$ (34)	\$ 577	\$ (43)	\$ 11,587	\$ 45,632	
3	Customer growth and usage Revenue adjustment - May	\$ 46,795	\$ (14,389)	\$ 7	\$ 259	\$ (51)	\$ (7,210)	\$ 25,412	[1]
4	May Increase	\$ 22,206	\$ (23,344)	\$ 41	\$ (318)	\$ (8)	\$ (18,797)	\$ (20,220)	
5	75% of May increase	16,655	(17,508)	31	(239)	(6)	(14,098)	(15,165)	
6	Customer growth and usage Revenue adjustment - per settlement	\$ 41,244	\$ (8,553)	\$ (3)	\$ 339	\$ (49)	\$ (2,510)	\$ 30,467	
7									
8	Impact to fuel - January	\$3,431	\$3,551	(\$16)	\$65	(\$8)	\$3,876	\$ 10,900	
9	Proposed fuel and fuel related costs ¢/kWh (excluding EMF)	1.8126	1.9561	1.9561	1.9561	1.9561	1.8934		[2]
10	Customer growth and usage adjustment to kWh sales	434,357,026	(131,214,659)	(711,244)	1,492,617	(454,410)	(124,288,870)	179,180,460	
11	Impact to fuel - May (L9 x (L10 / 100,000))	\$ 7,873	\$ (2,567)	\$ (14)	\$ 29	\$ (9)	\$ (2,353)	\$ 2,960	
12	May Increase	4,442	(6,117)	2	(36)	(1)	(6,230)	(7,940)	
13	75% of May increase	3,332	(4,588)	1	(27)	(1)	(4,672)	(5,955)	
14	Impact to fuel - per settlement (L8 + L13)	\$ 6,763	\$ (1,037)	\$ (14)	\$ 38	\$ (9)	\$ (796)	\$ 4,945	
15									
16	Other O&M	\$ 2,401	\$ (87)	\$ 2	\$ 26	\$ 0	\$ (104)	\$ 2,238	[6]
17									
18	<u>Calculation of NCUC Regulatory Fee and Uncollectibles</u>								
19	Uncollectibles Rate	0.25010%	0.25010%	0.25010%	0.25010%	0.25010%	0.25010%		[3]
20	Statutory regulatory fee percentage rate	0.12967%	0.12967%	0.12967%	0.12967%	0.12967%	0.12967%		[4]
21	Impact to O&M (L6 x (L19 + L20) + L16)	\$ 2,557	\$ (119)	\$ 2	\$ 27	\$ 0	\$ (114)	\$ 2,354	
22									
23	Taxable income (L6 - L11 - L21)	\$ 31,924	\$ (7,397)	\$ 10	\$ 273	\$ (40)	\$ (1,601)	\$ 23,168	
24									
25	Statutory tax rate	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	23.3503%	[5]
26	Impact to income taxes (L23 x L25)	\$ 7,454	\$ (1,727)	\$ 2	\$ 64	\$ (9)	\$ (374)	\$ 5,410	
27									
28	Impact to operating income (L23 - L26)	\$ 24,470	\$ (5,670)	\$ 8	\$ 209	\$ (31)	\$ (1,227)	\$ 17,759	

[1] NC-0402a + NC-0402b - Calculation of Customer Growth and Usage Revenue Adjustments

[2] NC-0202 - Proposed fuel and fuel related costs ¢/kWh (excluding EMF), Docket No. E-7, Sub 1190, McGee Exhibit 1, Line 9

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

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

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

[6] NC-0405 Customer Growth and Usage Adjustment to Other O&M

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Calculation of Customer Growth

Line No.	Rate Schedule	NC Proposed kWh <u>Adjustment</u> (a)		Cents Per kWh (b)		Revenue <u>Adjustment</u> (c) = (a) x (b)
1	NC Residential	753,306,466	[1]	8.46	[3]	\$ 63,745
2						
3	General Service Small and Large	135,440,491	[1]	6.96	[2]	9,433
4	Miscellaneous	415,719	[1]	15.68	[2]	65
5	NC General: Total (L3 + L4)	135,856,209				\$ 9,498
6						
7	T & T2	1,951,091	[1]	17.35	[2]	339
8	TS	108,892	[1]	16.92	[2]	18
9	NC Street Lighting: Total (L7 + L8)	2,059,983				\$ 357
10						
11	NC Industrial: Total	182,282,652	[1]	5.59	[2]	\$ 10,193
12						
13		<u># of Customers</u>		<u>BFC</u>		
14	NC Residential Change in number of customers	690,899		14.00	[4]	\$ 9,673
15						
16	NC Retail: Total (L1 + L5 + L9 + L11 + L14)					<u>\$ 93,465</u>

[1] NC-0403 - Customer Growth and Usage Adjustment to kWh Sales

[2] NC-0404 - Present Revenues Annualized and Per Book kWh Sales - North Carolina Retail

[3] NC-0404 - Present Revenues Annualized excluding Basic Facilities Charge and Per Book kWh Sales - North Carolina Retail

[4] Residential Basic Facilities Charge \$14

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Calculation of Customer Usage Revenue Adjustment

Line No.	Rate Schedule	NC Proposed kWh Adjustment (a)	Cents Per kWh (b)	Revenue Adjustment (c) = (a) x (b)
1	NC Residential (L1 + L2)	(380,215,390) [1]	8.46 [2]	\$ (32,174)
2				
3	General Service Small and Large			
4	General Service (OPT only)	127,607,300 [1]	5.75 [2]	7,341
5	General Service (non-OPT only)	(316,080,129) [1]	8.01 [2]	(25,327)
6	Miscellaneous	(1,147,996) [1]	5.95 [2]	(68)
7	NC General: Total (L3 + L6)	(189,620,826)		\$ (18,054)
8				
9	T & T2	- [1]	17.35 [2]	-
10	TS	(548,877) [1]	12.21 [2]	(67)
11	NC Street Lighting: Total (L9 + L10)	(548,877)		\$ (67)
12				
13	Industrial	-		
14	Industrial (OPT only)	(176,548,561) [1]	5.27 [2]	(9,310)
15	Industrial (non-OPT only)	(47,769,125) [1]	7.10 [2]	(3,393)
16	NC Industrial: Total	(224,317,686)		\$ (12,703)
17				
18	NC Retail: Total (L1 + L7 + L11 + L16)	<u>\$ (794,702,779)</u>		<u>\$ (62,998)</u>

[1] NC-0403 - Customer Growth and Usage Adjustment to kWh Sales

[2] NC-0404 - Present Revenues Annualized excluding Basic Facilities Charge and Per Book kWh Sales - North Carolina Retail

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Second Settlement

Customer Growth and Usage Adjustment to kWh Sales
Test Period + 12 Months

Line No.	Rate Schedule	NC Proposed Customer Growth kWh Adjustment	NC Proposed Change in Usage kWh Adjustment	NC Proposed kWh Adjustment
1				
2	NC Residential	753,306,466	(380,215,390)	373,091,075
3				
4	NC General:			
5	General Service Small and Large	135,440,491		135,440,491
6	General Service (OPT only)		127,607,300	127,607,300
7	General Service (non-OPT only)		(316,080,129)	(316,080,129)
8	Miscellaneous	415,719	(1,147,996)	(732,278)
9	Total General	135,856,209	(189,620,826)	(53,764,616)
10				
11	NC Public Street Lighting:			
12	T & T2	1,951,091		1,951,091
13	TS	108,892	(548,877)	(439,985)
14	Total Street Lighting	2,059,983	(548,877)	1,511,106
15				
16	NC Industrial:			
17	Industrial	182,282,652		182,282,652
18	Industrial (OPT only)		(176,548,561)	(176,548,561)
19	Industrial (non-OPT only)		(47,769,125)	(47,769,125)
20	Total Industrial	182,282,652	(224,317,686)	(42,035,034)
21				
22				
23	Total	1,073,505,310	(794,702,779)	278,802,531

Notes:

Two approved methods are used for estimating the growth adjustment depending on the class/schedule

"Regression" refers to the use of Ordinary Least Squares Regression

"Customer" refers to the use of the Customer by Customer approach

Information provided by Duke Energy Carolinas Rate Design

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Second Supplemental - May

Customer Growth and Usage Adjustment to kWh Sales
Test Period + 12 Months

Line No.	Rate Schedule	NC Proposed Customer Growth kWh Adjustment	NC Proposed Change in Usage kWh Adjustment	NC Proposed kWh Adjustment
1				
2	NC Residential	781,354,846	(346,997,820)	434,357,026
3				
4	NC General:			
5	General Service Small and Large	134,842,231		134,842,231
6	General Service (OPT only)		108,928,665	108,928,665
7	General Service (non-OPT only)		(374,985,555)	(374,985,555)
8	Miscellaneous	507,895	(1,219,139)	(711,244)
9	Total General	135,350,126	(267,276,029)	(131,925,903)
10				
11	NC Public Street Lighting:			
12	T & T2	1,492,617		1,492,617
13	TS	104,632	(559,042)	(454,410)
14	Total Street Lighting	1,597,249	(559,042)	1,038,207
15				
16	NC Industrial:			
17	Industrial	194,016,091		194,016,091
18	Industrial (OPT only)		(248,727,531)	(248,727,531)
19	Industrial (non-OPT only)		(69,577,430)	(69,577,430)
20	Total Industrial	194,016,091	(318,304,961)	(124,288,870)
21				
22				
23	Total	1,112,318,312	(933,137,852)	179,180,460

Notes:

Two approved methods are used for estimating the growth adjustment depending on the class/schedule

"Regression" refers to the use of Ordinary Least Squares Regression

"Customer" refers to the use of the Customer by Customer approach

Information provided by Duke Energy Carolinas Rate Design

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Supplemental Rebuttal- January

Customer Growth and Usage Adjustment to kWh Sales

Test Period + 12 Months

Line No.	Rate Schedule	NC Proposed Customer Growth kWh Adjustment	NC Proposed Change in Usage kWh Adjustment	NC Proposed kWh Adjustment
1				
2	NC Residential	669,161,324	(479,868,101)	189,293,223
3				
4	NC General:			
5	General Service Small and Large	137,235,271		137,235,271
6	General Service (OPT only)		183,643,203	183,643,203
7	General Service (non-OPT only)		(139,363,851)	(139,363,851)
8	Miscellaneous	139,189	(934,567)	(795,378)
9	Total General	137,374,460	43,344,785	180,719,245
10				
11	NC Public Street Lighting:			
12	T & T2	3,326,514		3,326,514
13	TS	121,672	(518,384)	(396,712)
14	Total Street Lighting	3,448,186	(518,384)	2,929,802
15				
16	NC Industrial:			
17	Industrial	147,082,334		147,082,334
18	Industrial (OPT only)		39,988,349	39,988,349
19	Industrial (non-OPT only)		17,655,788	17,655,788
20	Total Industrial	147,082,334	57,644,137	204,726,471
21				
22				
23	Total	957,066,303	(379,397,562)	577,668,741

Notes:

Two approved methods are used for estimating the growth adjustment depending on the class/schedule

"Regression" refers to the use of Ordinary Least Squares Regression

"Customer" refers to the use of the Customer by Customer approach

Information provided by Duke Energy Carolinas Rate Design

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Second Settlement

Billed Revenues and Present Revenues Annualized - North Carolina Retail

			North Carolina Retail					
Line No.	Group	Description	Present Revenues Annualized	Basic Facilities Charge	Present Revenue Excluding Basic Facilities	Per Book kWh Sales [2]	All-Inclusive ¢ / kWh	w/o BFC ¢ / kWh
1								
2	Residential:	RS - Residential Service	1,284,911,226	(170,002,367)	1,114,908,859	12,770,077,451		
3		ES - Energy Star	12,173,564	(1,455,441)	10,718,122	120,905,311		
4		RE - Electric Water Heating and Space Conditioning	915,282,512	(121,772,379)	793,510,133	9,780,681,958		
5		RE-ESA - Energy Star	3,848,399	(529,698)	3,318,701	41,424,066		
6		RT - Residential Service, Time of Use	4,077,140	(328,232)	3,748,908	49,940,125		
7	Residential: Total		2,220,292,841	(294,088,116)	1,926,204,724	22,763,028,911	9.75	8.46
8	General:	SGS - Small General Service	455,242,733	(51,912,272)	403,330,462	4,500,519,842		
9		SGSCATV - Small General Service	4,657,664	(2,114,698)	2,542,966	50,651,695		
10		LGS - Large General Service	376,184,722	(2,624,211)	373,560,511	5,130,566,670		
11	OPT - G	OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	190,231,067	(19,500)	190,211,567	3,607,269,535		
12		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	23,399,929	(17,129)	23,382,801	417,169,338		
13		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	11,000,796	(39,352)	10,961,443	202,612,504		
14		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	41,923,082	(8,435)	41,914,647	769,828,955		
15		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	63,473,610	(50,699)	63,422,911	1,089,739,374		
16		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	414,386,352	(6,108,378)	408,277,974	6,575,623,038		
17		OPT-V-T - Optional Power Service-Time of Use with Voltage Differential	46,442,756	(1,123)	46,441,633	975,215,550		
18		OPTEG	1,023,151	(399)	1,022,752	20,012,800		
19	HP	HPLGS	701,127		701,127	11,434,576		
20		HP-OPTVG (standby excluded)	4,335,546		4,335,546	103,290,772		
21		HP-OPTVG (standby charges)	490,278		490,278			
22	General: OPT Only		791,880,743	(6,245,014)	785,635,729	13,657,471,094		5.75
23	General: Non-OPT Only		841,612,070	(56,651,181)	784,960,889	9,796,463,555		8.01
24	General: Total		1,633,492,813	(62,896,195)	1,570,596,618	23,453,934,649	6.96	6.70
25	Miscellaneous:	BC - Building Construction Service	2,534,095	(1,572,784)	961,311	16,159,670	15.68	5.95
26	OPT - I	OPT-V-PL - Optional Power Service-Time of Use with Voltage Differential	256,905,512	(32,050)	256,873,463	5,080,509,244		
27		OPT-V-PM - Optional Power Service-Time of Use with Voltage Differential	13,247,804	(8,038)	13,239,766	244,380,680		
28		OPT-V-PS - Optional Power Service-Time of Use with Voltage Differential	7,099,896	(8,099)	7,091,798	180,146,666		
29		OPT-V-SL - Optional Power Service-Time of Use with Voltage Differential	108,960,913	(22,052)	108,938,861	2,088,573,304		
30		OPT-V-SM - Optional Power Service-Time of Use with Voltage Differential	80,880,912	(60,531)	80,820,381	1,410,849,158		
31		OPT-V-SS - Optional Power Service-Time of Use with Voltage Differential	71,977,271	(301,065)	71,676,206	1,175,951,129		
32		OPT-V-T - Optional Power Service-Time of Use with Voltage Differential	12,008,128	(386)	12,007,742	261,404,000		
33	HP	HPI	72,517		72,517	1,427,133		
34		HP-OPTVI (standby excluded)	3,927,608		3,927,608	65,598,462		
35		HP-OPTVI (standby charges)	113,258		113,258	-		
36	Industrial:	I - Industrial Service	146,840,106	(853,789)	145,986,317	2,046,808,938		
37		PG- Parallel Generation	45,198	(4,625)	40,573	100,500		
38	Industrial: OPT Only		551,080,436	(432,221)	550,648,216	10,441,814,181		5.27
39	Industrial: Non-OPT Only		150,998,687	(858,414)	150,140,273	2,113,935,033		7.10
40	Industrial: Total		702,079,123	(1,290,635)	700,788,489	12,555,749,214	5.59	5.58
41	Lighting:	PL - Street and Public Lighting Service	27,263,723			232,673,040		
42		GL - Governmental Lighting Service	2,953,173			18,709,804		
43		OL - Outdoor Lighting Service	72,464,299			322,381,128		
44		FL - Flood Lighting Service	15,608,277			107,709,339		
45		S - Unmetered Sign (Nantahala)	3,100			-		
46		NL - Nonstandard Lighting Service	14,755			275,017		
47	T & T2 Total		118,307,327			681,748,328	17.35	
48	TS	TTS - Traffic Signal Service	1,706,335	(475,266)	1,231,069	10,081,816	16.92	12.21
49	Grand Total		4,678,412,534	(360,322,996)	4,199,782,211	59,480,702,588		

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Second Settlement

Customer Growth and Usage Adjustment to Other O&M

Line No.		Adjustment to MWH Sales	Adjustment to MWH Sales-Jan	Adjustment to MWH Sales-Settlement	O&M Per MWH	Adjustment
1	Energy related non fuel O&M					
2	Residential	434,357	189,293	373,091	\$2.46087 [1]	\$ 918
3	General Service	(131,215)	181,515	(53,032)	\$2.46087	(131)
4	Miscellaneous	(711)	(795)	(732)	\$2.46087	(2)
5	Lighting T & T2	1,493	3,327	1,951	\$2.46087	5
6	Lighting TS	(454)	(397)	(440)	\$2.46087	(1)
7	Industrial	(124,289)	204,726	(42,035)	\$2.46087	(103)
8	Total	179,180	577,669	278,803		\$ 686
9						

	Test Year	Projected Number of Bills at End of Extended Period	Change in number of bills	Change in number of bills Jan	Change in number of bills Settlement	Cost per bill	Adjustment
10	Customer related variable O&M	Number of bills					
11	Residential	20,636,578	21,353,712	717,134	\$612,194	\$2.15 [2]	\$ 1,483
12	General Service	3,127,951	3,151,621	23,670	\$10,877	\$2.15	44
13	Miscellaneous	92,201	94,356	2,155	\$67	\$2.15	4
14	Lighting T & T2	3,421,490	3,429,000	7,510	\$16,714	\$2.15	21
15	Lighting TS	70,965	71,664	699	\$819	\$2.15	2
16	Industrial	57,951	57,685	(266)	(\$313)	\$2.15	(1)
17	Total	27,407,136	28,158,038	750,902	640,358		\$ 1,552
18							
19	Total Adjustment						\$ 2,238

Notes
[1] Public Staff Witness Boswell Supplemental and Stipulation Sch 3-1 Var O&M Rate Line 25
[1] Public Staff Witness Boswell Supplemental and Stipulation Sch 3-1 Bill-Related Rate Line 20

Duke Energy Carolinas, LLC
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Adjust O&M for executive compensation
For the test period ended December 31, 2018

NC-0700
Narrative
Second Settlement

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro forma adjusts operation and maintenance expense and income taxes for officers' compensation.

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

Eliminate 50% of the compensation of the Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Legal Officer (CLO) and Customer and Delivery Operations and President, Carolinas Region allocated to Duke Energy Carolinas in the test period.

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

Supplemental Rebuttal

Removing 50% of the top 5 executives benefits per settlement.

Second Supplemental

Updated executive salaries through May 2020.

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For the test period ended December 31, 2018
(Dollars in thousands)

NC-0700
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Second Settlement

Line No.	Description	Source	Total NC Retail Second Settlement	Total NC Retail Supplemental Rebuttal	Total NC Retail Application	Total NC Retail Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-0701	(3,539)	(3,523)	(3,301)	(238)
11	Depreciation and amortization		-	-	-	-
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-0701	826	823	771	55
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(2,712)	(2,700)	(2,530)	(182)
18						
19	Operating income	L4 - L17	\$ 2,712	\$ 2,700	\$ 2,530	\$ 182
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization					
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	-	-	-
35			-	-	-	-
36						
37	Less:					
38	Accumulated deferred taxes		-	-	-	-
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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Adjust O&M for executive compensation
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Line No.	Description	CEO and Other Group Execs
1		
2	Compensation charged to Duke Energy Carolinas - Updated annual salary at May 2020	\$ 11,044 [1]
3	Executive benefits agreed to include in settlement	738 [6]
4	Compensation charged to A&G (L2 + L3)	\$ 11,781
5	Catawba reimbursement allocation rate	13.988% [2]
6	Non-ownership percentage in Catawba plant	80.754% [2]
7	Costs reimbursed by Catawba Joint Owners (L4 x L5 x L6)	\$ 1,331
8		
9	Compensation net of Joint Owners' share (L4 - L7)	\$ 10,451
10	NC Retail Allocation Factor - All - Labor	67.7195% [3]
11	NC Retail compensation (L9 x L10)	\$ 7,077
12	Exclusion percentage	50.00% [4]
13	Impact to O&M (-L11 x L12)	\$ (3,539)
14		
15	Statutory tax rate	23.3503% [5]
16	Impact to income taxes (-L13 x L15)	\$ 826
17		
18	Impact to operating income (-L13 - L16)	\$ 2,712

[1] Information provided by Duke Energy Corporate Accounting

[2] NC-1303 - Analysis of Total Labor \$ - Catawba Project (Gross, Allocated \$), 12 Months Ended Dec 31, 2018, Lines 20 and 24

[3] Allocation Factor - All - Labor

[4] The percentage of compensation for the top five executive's compensation to be eliminated from the test year.

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

[6] Boswell Supplemental and Stipulation Exhibit 1, Schedule 3-1(h), Line 2

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 For the test period ended December 31, 2018

NC-1100
 Narrative
 Second Settlement

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

This pro-forma adjusts amortization expense, income taxes and rate base for the amortization of deferred environmental costs related to the removal of coal ash.

The impact to depreciation expense reflects a 5 year amortization of deferred costs to remove coal ash costs. The balance of the deferral is projected through July 31, 2020 and includes a return during the deferral period.

The impact to rate base includes the additional deferred costs through July 2020 and the additional ADIT on the deferred balance change.

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

September update:

Updated Non ARO Spend and ARO spend with actuals through September 2019.

October update:

Updated Non ARO Spend and ARO spend with actuals through October 2019.

November update:

Updated Non ARO Spend and ARO spend with actuals through November 2019.

December update:

Updated Non ARO Spend and ARO spend with actuals through December 2019.

January update:

Updated Non ARO Spend and ARO spend with actuals through January 2020.

Updated NC-1104 Non ARO Deferral calculation to include the impact of ADIT due to bonus depreciation on eligible projects.

Added tab NC-1109 ADIT showing the calculation of the ADIT amount.

Second Settlement

Updated Non ARO Amortization period to 8 years per settlement.

Line No.	Description	Source	Total NC Retail Second Settlement	Total NC Retail May Second Supplemental	Total NC Retail January	Total NC Retail Application	Total NC Retail Change
1							
2	<u>Pro Formas Impacting Income Statement Line Items</u>						
3							
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -
5							
6	Electric operating expenses:						
7	Operation and maintenance						
8	Fuel used in electric generation						
9	Purchased power						
10	Other operation and maintenance expense						
11	Depreciation and amortization	NC-1101	87,100	93,944	93,944	95,913	(8,814)
12	General taxes		-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-
14	Income taxes	NC-1101	(20,338)	(21,936)	(21,936)	(22,396)	2,058
15	Amortization of investment tax credit		-	-	-	-	-
16							
17	Total electric operating expenses	Sum L8 through L15	66,762	72,008	72,008	73,517	(6,756)
18							
19	Operating income	L4 - L17	<u>\$ (66,762)</u>	<u>\$ (72,008)</u>	<u>\$ (72,008)</u>	<u>\$ (73,517)</u>	<u>\$ 6,756</u>
20							
21	Notes:						
22	Revenue: positive number increases revenue / negative number decreases revenue						
23	Expense: positive number increases expense / negative number decreases expense						
24							
25							
26	<u>Pro Formas Impacting Rate Base Line Items</u>						
27							
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization						
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-
31							
32	Add:						
33	Materials and supplies		-	-	-	-	-
34	Working capital investment	NC-1101	382,618	375,774	375,774	383,653	(1,035)
35			-	-	-	-	-
36							
37	Less:						
38	Accumulated deferred taxes	NC-1101	(89,342)	(87,744)	(87,744)	(89,584)	242
39	Operating reserves		-	-	-	-	-
40			-	-	-	-	-
41							
42	Construction work in progress		-	-	-	-	-
43							
44	Total impact to rate base	Sum L30 through L42	<u>\$ 293,276</u>	<u>\$ 288,030</u>	<u>\$ 288,030</u>	<u>\$ 294,069</u>	<u>\$ (793)</u>
45							
46	Note:						
47	Rate Base: positive number increases rate base / negative number decreases rate base						

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Line No.	Description	Total Coal Ash ARO NC Retail	Total Coal Ash Non ARO NC Retail	Total NC Retail
1	<u>Impact to Income Statement Line Items</u>			
2	Projected ending balance at July 31, 2020	\$ 378,464 [1]	\$ 91,254 [2]	\$ 469,718
3	Balance for amortization (L2)	\$ 378,464	\$ 91,254	\$ 469,718
4				
5	Years to amortize	5	8	
6				
7	Annual amortization (L3 / L5)	\$ 75,693	\$ 11,407	\$ 87,100
8	Impact to depreciation and amortization (L7)	\$ 75,693	\$ 11,407	\$ 87,100
9				
10	Statutory tax rate	23.3503% [3]	23.3503% [3]	
11	Impact to income taxes (-L8 x L10)	\$ (17,674)	\$ (2,663)	\$ (20,338)
12				
13	Impact to operating income (-L8 - L11)	\$ (58,018)	\$ (8,743)	\$ (66,762)
14				
15	<u>Impact to Rate Base Line Items</u>			
16	Projected July 31, 2020 balance (L3)	\$ 378,464	\$ 91,254	\$ 469,718
17	Less: 1st year coal ash deferral amortization (-L7)	(75,693)	(11,407)	(87,100)
18	Projected coal ash def bal after one year of amortization (L16 + L17)	\$ 302,772	\$ 79,847	\$ 382,618
19				
20	Deferred tax rate	23.3503%	23.3503%	
21	Impact to accumulated deferred income tax (-L18 x L20)	\$ (70,698)	\$ (18,644)	\$ (89,342)
22				
23	Impact to rate base (L18 + L21)	\$ 232,074	\$ 61,202	\$ 293,276

[1] NC-1102 - Calculation of Deferral - Projected Ending Balance, Column (j), Line 32

[2] NC-1104 - Calculation of Coal Ash Non ARO Deferral - Projected Ending Balance, Column (r), Line 64

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

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	After Tax LTD Rate	After Tax Equity Rate
2018 Jan - Jul [3]	1.8884%	5.4060%
2018 Aug - Dec [3]	1.6829%	5.1480%
2019 [3]	1.6887%	5.1480%
2020 [3]	1.6887%	5.1480%

Calculation of Deferral - ARO Projected Ending Balance

Duke Energy Carolinas Coal Ash Deferral (North Carolina Retail)												
Line No.	Month	System Spend	% to NCR for Spend		Beginning Balance	NC Retail Spend	Ending Balance	NCR Balance for Return	Def. Cost of Debt	Def. Cost of Equity	Total Return	Total Ending Balance
					(c)=(e) PM	(d)=(a)x(b)	(e)= (c)+(d)	(f)=(c)+(d)/2	(g) = (f) x cost of debt	(h) = (f) x cost of equity	(i)=(g)+(h)	(j)= (e)+YTD(i)
1		(a)	(b)		(c)=(e) PM	(d)=(a)x(b)	(e)= (c)+(d)	(f)=(c)+(d)/2	(g) = (f) x cost of debt	(h) = (f) x cost of equity	(i)=(g)+(h)	(j)= (e)+YTD(i)
2	Jan-18	17,378,709 [1]	66.6244% [2]		-	11,578,458	11,578,458	5,789,229	9,110	26,080	35,191	11,613,649
3	Feb-18	14,580,288 [1]	66.6244% [2]		11,578,458	9,714,027	21,292,486	16,435,472	25,864	74,042	99,906	21,427,582
4	Mar-18	22,410,023 [1]	66.6244% [2]		21,292,486	14,930,540	36,223,026	28,757,756	45,255	129,554	174,809	36,532,931
5	Apr-18	19,654,264 [1]	66.6244% [2]		36,223,026	13,094,533	49,317,558	42,770,292	67,306	192,680	259,986	49,887,450
6	May-18	15,698,823 [1]	66.6244% [2]		49,317,558	10,459,245	59,776,803	54,547,181	85,839	245,735	331,574	60,678,268
7	Jun-18	23,765,376 [1]	65.9759% [2]		59,776,803	15,679,416	75,456,219	67,616,511	106,405	304,612	411,018	76,768,702
8	Jul-18	15,740,700 [1]	65.9759% [2]		75,456,219	10,385,066	85,841,285	80,648,752	126,914	363,323	490,236	87,644,004
9	Aug-18	20,090,707 [1]	65.9759% [2]		85,841,285	13,255,021	99,096,306	92,468,795	129,681	396,691	526,372	101,425,397
10	Sep-18	23,461,327 [1]	65.9759% [2]		99,096,306	15,478,817	114,575,123	106,835,714	149,830	458,325	608,155	117,512,369
11	Oct-18	22,328,101 [1]	65.9759% [2]		114,575,123	14,731,161	129,306,284	121,940,703	171,013	523,126	694,139	132,937,669
12	Nov-18	22,192,653 [1]	65.9759% [2]		129,306,284	14,641,798	143,948,082	136,627,183	191,610	586,131	777,741	148,357,208
13	Dec-18	11,607,596 [1]	65.9759% [2]		143,948,082	7,658,213	151,606,295	147,777,189	207,247	633,964	841,211	156,856,633 [4]
14	Jan-19	16,290,098 [1]	65.9759% [2]		156,856,633 [4]	10,747,536	167,604,168	162,230,400	228,305	695,968	924,274	168,528,442
15	Feb-19	24,408,532 [1]	65.9759% [2]		167,604,168	16,103,744	183,707,912	175,656,040	247,199	753,564	1,000,763	185,632,949
16	Mar-19	24,061,931 [1]	65.9759% [2]		183,707,912	15,875,070	199,582,982	191,645,447	269,701	822,159	1,091,860	202,599,879
17	Apr-19	20,018,173 [1]	65.9759% [2]		199,582,982	13,207,166	212,790,148	206,186,565	290,164	884,540	1,174,705	216,981,749
18	May-19	27,201,549 [1]	65.9759% [2]		212,790,148	17,946,461	230,736,609	221,763,379	312,085	951,365	1,263,450	236,191,660
19	Jun-19	18,738,461 [1]	65.8832% [2]		230,736,609	12,345,500	243,082,109	236,909,359	333,400	1,016,341	1,349,741	249,886,902
20	Jul-19	16,266,699 [1]	65.8832% [2]		243,082,109	10,717,024	253,799,133	248,440,621	349,628	1,065,810	1,415,438	262,019,364
21	Aug-19	58,647,352 [1]	65.8832% [2]		253,799,133	38,638,760	292,437,893	273,118,513	384,357	1,171,678	1,556,035	302,214,159
22	Sep-19	28,293,189 [1]	65.8832% [2]		292,437,893	18,640,462	311,078,355	301,758,124	424,661	1,294,542	1,719,203	322,573,824
23	Oct-19	15,788,972 [1]	65.8832% [2]		311,078,355	10,402,282	321,480,637	316,279,496	445,097	1,356,839	1,801,936	334,778,042
24	Nov-19	12,378,694 [1]	65.8832% [2]		321,480,637	8,155,481	329,636,118	325,558,378	458,155	1,396,645	1,854,800	344,788,323
25	Dec-19	15,830,255 [1]	65.8832% [2]		329,636,118	10,429,481	340,065,599	334,850,859	471,232	1,436,510	1,907,742	357,125,546 [4]
26	Jan-20	10,386,430	65.8832% [2]		357,125,546 [4]	6,842,914	363,968,460	360,547,003	507,394	1,546,747	2,054,141	366,022,601
27	Feb-20		65.8832% [2]		363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	368,096,235
28	Mar-20		65.8832% [2]		363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	370,169,868
29	Apr-20		65.8832% [2]		363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	372,243,502
30	May-20		65.8832% [2]		363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	374,317,136
31	Jun-20		65.8832% [2]		363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	376,390,769
32	Jul-20		65.8832% [2]		363,968,460	-	363,968,460	363,968,460	512,209	1,561,425	2,073,634	378,464,403
33		517,218,902				341,658,176			9,110,705	27,695,522	36,806,227	

- [1] NC-1103 - Duke Energy Carolinas - System Spend - Coal Ash
[2] NC-1106 - Allocation Factor - MWHs at Generation Level
[3] NC-1107 - Weighted Cost of Capital Rates for Duke Energy Carolinas
[4] Annual compounding formula

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Duke Energy Carolinas - System Spend - Coal Ash including CAMA - ARO

Line No.	Month	2018 Actuals	2019 Actuals	2020 Actual
1	January	17,378,709	16,290,098	10,386,430
2	February	14,580,288	24,408,532	
3	March	22,410,023	24,061,931	
4	April	19,654,264	20,018,173	
5	May	15,698,823	27,201,549	
6	June	23,765,376	18,738,461	
7	July	15,740,700	16,266,699	
8	August	20,090,707	58,647,352	
9	September	23,461,327	28,293,189	
10	October	22,328,101	15,788,972	
11	November	22,192,653	12,378,694	
12	December	11,607,596	15,830,255	
13	Total	<u>228,908,568</u>	<u>277,923,903</u>	<u>10,386,430</u>

Source: Duke Energy Carolinas Asset Accounting

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		Pre Tax LTD Rate	Pre Tax Equity Rate
2018 Jan - Jul	[5]	2.4722%	7.0773%
2018 Aug - Dec	[5]	2.2032%	6.7395%
2019	[5]	2.2032%	6.7163%
2020	[5]	2.2032%	6.7163%

Duke Energy Carolinas - Coal Ash Non ARO Retail Return on Plant

Line No.	Month	[1] Total Plant Additions (a)	[2] Accumulated Depreciation (b)	[7] Accumulated Deferred Tax (c)	Net Plant (d)=(a)+(b)+(c)	[3] NC Retail Allocation Factor (e)	NC Retail Net Plant (f)=(d)*(e)	[4] Avg Balance for Return (g)	Pre Tax Debt Return (h)=(g)* Debt rate	Pre Tax Equity Return (i)=(g)*Equity Rate	Total Return on Investment (j)=(h)+(i)
1	Jan-18	\$ 32,555	\$ -	\$ (3,801)	\$ 28,754	67.0068%	\$ 19,267	\$ 9,634	\$ 20	\$ 57	\$ 77
2	Feb-18	32,555	(96)	(3,801)	28,658	67.0068%	19,203	19,235	40	113	153
3	Mar-18	8,822,474	(192)	(1,030,037)	7,792,245	67.0068%	5,221,332	2,620,268	5,398	15,454	20,852
4	Apr-18	9,606,973	(22,369)	(1,034,749)	8,549,855	67.0068%	5,728,983	5,475,158	11,280	32,291	43,571
5	May-18	73,698,616	(46,395)	(8,517,532)	65,134,690	67.0068%	43,644,658	24,686,820	50,859	145,597	196,456
6	Jun-18	86,438,831	(229,047)	(10,004,959)	76,204,825	67.0068%	51,062,400	47,353,529	97,556	279,279	376,835
7	Jul-18	88,557,895	(448,750)	(10,252,350)	77,856,795	67.4614%	52,523,313	51,792,856	106,702	305,461	412,163
8	Aug-18	108,269,151	(674,867)	(12,553,656)	95,040,627	67.4614%	64,115,773	58,319,543	107,075	327,539	434,613
9	Sep-18	108,290,145	(953,564)	(12,556,094)	94,780,487	67.4614%	63,940,279	64,028,026	117,555	359,599	477,155
10	Oct-18	266,701,014	(1,232,092)	(31,050,788)	234,418,135	67.4614%	158,141,843	111,041,061	203,871	623,638	827,509
11	Nov-18	269,504,976	(1,983,577)	(31,212,391)	236,309,009	67.4614%	159,417,454	158,779,649	291,519	891,751	1,183,270
12	Dec-18	445,202,670	(2,742,297)	(50,173,861)	392,286,511	67.4614%	264,642,119	212,029,787	389,287	1,190,818	1,580,105
13	Jan-19	564,269,696	(3,990,299)	(60,566,603)	499,712,794	67.4614%	337,113,434	300,877,777	552,412	1,683,979	2,236,391
14	Feb-19	576,541,669	(5,588,714)	(61,800,033)	509,152,922	67.4614%	343,481,880	340,297,657	624,787	1,904,608	2,529,394
15	Mar-19	658,726,764	(7,226,278)	(69,516,722)	581,983,764	67.4614%	392,614,613	368,048,247	675,737	2,059,925	2,735,661
16	Apr-19	665,817,977	(9,079,840)	(70,209,495)	586,528,641	67.4614%	395,680,652	394,147,633	723,655	2,206,000	2,929,655
17	May-19	669,109,462	(10,953,515)	(70,537,627)	587,618,320	67.4614%	396,415,766	396,048,209	727,145	2,216,637	2,943,782
18	Jun-19	679,029,657	(12,836,257)	(71,546,387)	594,647,014	67.4345%	400,997,437	398,706,601	732,025	2,231,516	2,963,541
19	Jul-19	677,032,969	(14,745,611)	(71,329,228)	590,958,130	67.4345%	398,509,856	399,753,646	733,948	2,237,376	2,971,324
20	Aug-19	680,377,789	(16,649,676)	(71,656,799)	592,071,314	67.4345%	399,260,526	398,885,191	732,353	2,232,515	2,964,869
21	Sep-19	681,691,050	(18,562,995)	(71,784,009)	591,344,046	67.4345%	398,770,096	399,015,311	732,592	2,233,244	2,965,836
22	Oct-19	682,448,552	(20,479,779)	(71,849,053)	590,119,719	67.4345%	397,944,477	398,357,286	731,384	2,229,561	2,960,945
23	Nov-19	682,180,765	(22,398,772)	(71,825,704)	587,956,289	67.4345%	396,485,578	397,215,027	729,287	2,223,168	2,952,454
24	Dec-19	693,595,700	(24,317,099)	(71,920,386)	597,358,214	67.4345%	402,825,722	399,655,650	733,768	2,236,828	2,970,595
25	Jan-20	693,743,237	(26,266,516)	(71,928,100)	595,548,620	67.4345%	401,605,431	402,215,577	738,468	2,251,155	2,989,623
26	Feb-20	693,743,237	(28,216,342)	(71,928,100)	593,598,794	67.4345%	400,290,575	400,948,003	736,141	2,244,061	2,980,201
27	Mar-20	693,743,237	(30,166,168)	(71,928,100)	591,648,968	67.4345%	398,975,719	399,633,147	733,726	2,236,702	2,970,428
28	Apr-20	693,743,237	(32,115,994)	(71,928,100)	589,699,143	67.4345%	397,660,863	398,318,291	731,312	2,229,343	2,960,655
29	May-20	693,743,237	(34,065,820)	(71,928,100)	587,749,317	67.4345%	396,346,007	397,003,435	728,898	2,221,983	2,950,882
30	Jun-20	693,743,237	(36,015,646)	(71,928,100)	585,799,491	67.4345%	395,031,151	395,688,579	726,484	2,214,624	2,941,109
31	Jul-20	693,743,237	(37,965,472)	(71,928,100)	583,849,665	67.4345%	393,716,295	394,373,723	724,070	2,207,265	2,931,335
32	Total										\$ 60,401,438

- [1] NC-1105 Total Plant in Service beginning on line 27
[2] -NC-1105 Total Depreciation Expense beginning on line 60 + Prior Month
[3] NC 1106 Allocation Factor - Demand at Generation Level
[4] Beginning balance + additions for the month/2
[5] NC 1107 Cost of Capital
[6] NC-1105 Total Depreciation Expense beginning on line 60
[7] NC-1109 Accumulated Deferred Income Tax

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Duke Energy Carolinas - Coal Ash Non ARO - NC Retail Deferral

		After Tax LTD Rate	After Tax Equity Rate
2018 Jan - Jul	[5]	1.8884%	5.4060%
2018 Aug - Dec	[5]	1.6829%	5.1480%
2019	[5]	1.6887%	5.1480%
2020	[5]	1.6887%	5.1480%

Line No.	Month	Beginning Balance (j)=PM(r)	Return on Investment (k)=(i)	[6] Depreciation Expense (l)	[7]	[3] NC Retail Allocation Factor (m)	[8]	NC Retail Depreciation Expense (n)=(l)*(m)	Balance for Return (o)=(j)+((k)+(n))/2	After Tax Debt Return (p)=(o)* Debt rate	After Tax Equity Return (q)=(o)*Equity Rate	Ending Balance (r)=(j)+(k)+(n)+(p)+(q)
33	Jan-18	-	77	-		67.0068%		-	38	0	0	77
34	Feb-18	77	153	96		67.0068%		64	186	0	1	295
35	Mar-18	295	20,852	96		67.0068%		64	10,754	17	48	21,277
36	Apr-18	21,277	43,571	22,177		67.0068%		14,860	50,492	79	227	80,015
37	May-18	80,015	196,456	24,026		67.0068%		16,099	186,292	293	839	293,702
38	Jun-18	293,702	376,835	182,652		67.0068%		122,389	543,314	855	2,448	796,229
39	Jul-18	796,229	412,163	219,703		67.4614%		148,215	1,076,418	1,694	4,849	1,363,150
40	Aug-18	1,363,150	434,613	226,117		67.4614%		152,542	1,656,728	2,323	7,107	1,959,736
41	Sep-18	1,959,736	477,155	278,697		67.4614%		188,013	2,292,320	3,215	9,834	2,637,953
42	Oct-18	2,637,953	827,509	278,528		67.4614%		187,899	3,145,657	4,412	13,495	3,671,267
43	Nov-18	3,671,267	1,183,270	751,485		67.4614%		506,962	4,516,383	6,334	19,375	5,387,209
44	Dec-18	5,387,209	1,580,105	758,721		67.4614%		511,844	6,433,183	9,022	27,598	7,515,778
45	Jan-19	7,515,778	2,236,391	1,248,001		67.4614%		841,920	9,054,933	12,743	38,846	10,645,677
46	Feb-19	10,645,677	2,529,394	1,598,415		67.4614%		1,078,314	12,449,531	17,520	53,408	14,324,313
47	Mar-19	14,324,313	2,735,661	1,637,564		67.4614%		1,104,724	16,244,506	22,861	69,689	18,257,248
48	Apr-19	18,257,248	2,929,655	1,853,563		67.4614%		1,250,440	20,347,296	28,635	87,290	22,553,268
49	May-19	22,553,268	2,943,782	1,873,675		67.4614%		1,264,008	24,657,162	34,700	105,779	26,901,536
50	Jun-19	26,901,536	2,963,541	1,882,742		67.4345%		1,269,618	29,018,116	40,837	124,488	31,300,020
51	Jul-19	31,300,020	2,971,324	1,909,354		67.4345%		1,287,564	33,429,464	47,045	143,412	35,749,365
52	Aug-19	35,749,365	2,964,869	1,904,066		67.4345%		1,283,998	37,873,798	53,299	162,479	40,214,009
53	Sep-19	40,214,009	2,965,836	1,913,319		67.4345%		1,290,238	42,342,046	59,588	181,647	44,711,318
54	Oct-19	44,711,318	2,960,945	1,916,784		67.4345%		1,292,575	46,838,077	65,915	200,935	49,231,687
55	Nov-19	49,231,687	2,952,454	1,918,993		67.4345%		1,294,064	51,354,946	72,271	220,313	53,770,789
56	Dec-19	53,770,789	2,970,595	1,918,327		67.4345%		1,293,615	55,902,894	78,672	239,823	58,353,494
57	Jan-20	58,353,494	2,989,623	1,949,417		67.4345%		1,314,581	60,505,596	85,149	259,569	63,002,416
58	Feb-20	63,002,416	2,980,201	1,949,826		67.4345%		1,314,856	65,149,944	91,685	279,493	67,668,651
59	Mar-20	67,668,651	2,970,428	1,949,826		67.4345%		1,314,856	69,811,293	98,245	299,490	72,351,670
60	Apr-20	72,351,670	2,960,655	1,949,826		67.4345%		1,314,856	74,489,426	104,828	319,560	77,051,569
61	May-20	77,051,569	2,950,882	1,949,826		67.4345%		1,314,856	79,184,438	111,435	339,701	81,768,443
62	Jun-20	81,768,443	2,941,109	1,949,826		67.4345%		1,314,856	83,896,425	118,067	359,916	86,502,390
63	Jul-20	86,502,390	2,931,335	1,949,826		67.4345%		1,314,856	88,625,486	124,722	380,203	91,253,506
64	Total		60,401,438					25,603,744		1,296,459	3,951,865	91,253,506

- [1] NC-1105 Total Plant in Service beginning on line 27
- [2] -NC-1105 Total Depreciation Expense beginning on line 60 + Prior Month
- [3] NC 1106 Allocation Factor - Demand at Generation Level
- [4] Beginning balance + additions for the month/2
- [5] NC 1107 Cost of Capital
- [6] NC-1105 Total Depreciation Expense beginning on line 60

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Duke Energy Carolinas - Coal Ash Non ARO - Monthly Plant in Service

Line No.	Month													Total Monthly Activity
		312 Belews Plant In Service	312 Cliffside Plant In Service	311 Belews Plant In Service	311 Marshall Plant In Service	311 Lee Plant In Service	311 Allen Plant In Service	312 Marshall Plant In Service	312 Cliffside 6 Plant In Service	311 Cliffside 5 & 6 Plant In Service	341 Buck Plant In Service	312 Allen Plant In Service	315 Cliffside 5&6 Plant In Service	
1	Jan-18		32,555											32,555
2	Feb-18													-
3	Mar-18	8,103,839	686,080											8,789,919
4	Apr-18	40,354			744,144									784,499
5	May-18	64,091,537			106									64,091,643
6	Jun-18	1,121,699	11,618,413		103									12,740,215
7	Jul-18	1,492,265	626,693		106									2,119,064
8	Aug-18	537,625	726,099		108	18,447,422								19,711,255
9	Sep-18	314,909	(420,773)		117	126,741								20,994
10	Oct-18	695,395	173,742	8,853,763	33,422,875	195,720	37,705,846	77,363,529						158,410,869
11	Nov-18	151,124	5,445	45,423	598,263	136,838	34,452	412,175	1,420,241					2,803,962
12	Dec-18	605,174	119,199	33,851,732	48,510,871	297,463	25,297,511	438,982	62,611	65,120,650	1,393,502			175,697,694
13	Jan-19	(84,852)	49,737	24,771,344	975,219	11,049	8,963,499	382,505	38,389	21,978,022	35,644	61,946,196	273	119,067,026
14	Feb-19	162,710	37,077	554,418	302,449	(99,269)	3,614,479	312,523	1,188	2,363,762	36,729	4,984,671	1,236	12,271,973
15	Mar-19	(21,785)	33,792	741,434	77,180,934	9,959	634,591	205,018	2,268	2,989,269	10,222	397,877	1,515	82,185,095
16	Apr-19	(800)		470,536	1,391,854		1,080,771	171,911	930	3,491,360	7,955	474,781	1,914	7,091,213
17	May-19	(5,616)		174,687	1,589,545		337,522	(40,763)		1,138,275	(6,053)	103,450	439	3,291,485
18	Jun-19	(12,221)		76,745	4,738,989		187,802	2,657,764		1,954,691	662	314,996	767	9,920,196
19	Jul-19	12,368		98,981	(1,579,849)		39,175	(930,549)		343,136	50	19,942	58	(1,996,688)
20	Aug-19	5		469,887	1,853,994		294,229	45,839		376,002	(132)	304,856	140	3,344,820
21	Sep-19	(7)		10,385	921,239		31,690	5,816		352,559		(8,583)	162	1,313,261
22	Oct-19	(0)	-	(0)	283,239		140,763	15,661		224,449		93,294	96	757,502
23	Nov-19				(417,238)		24,971	(1,233)		115,319		10,327	66	(267,787)
24	Dec-19				811,469		5,909	10,419,193		173,098		5,267		11,414,935
25	Jan-20				(44,188)			191,675	-	51				147,537
26	Total	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237

Source: Duke Energy Carolinas Asset Accounting to all pages

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Duke Energy Carolinas - Coal Ash Non ARO - Total Plant in Service

		312 Belews Plant In Service	312 Cliffside Plant In Service	311 Belews Plant In Service	311 Marshall Plant In Service	311 Lee Plant In Service	311 Allen Plant In Service	312 Marshall Plant In Service	312 Cliffside 6 Plant In Service	311 Cliffside 5 & 6 Plant In Service	341 Buck Plant In Service	312 Allen Plant In Service	315 Cliffside 5&6 Plant In Service	Total Plant in Service
27	Jan-18	-	32,555	-	-	-	-	-	-	-	-	-	-	32,555
28	Feb-18	-	32,555	-	-	-	-	-	-	-	-	-	-	32,555
29	Mar-18	8,103,839	718,635	-	-	-	-	-	-	-	-	-	-	8,822,474
30	Apr-18	8,144,193	718,635	-	744,144	-	-	-	-	-	-	-	-	9,606,973
31	May-18	72,235,730	718,635	-	744,251	-	-	-	-	-	-	-	-	73,698,616
32	Jun-18	73,357,429	12,337,048	-	744,354	-	-	-	-	-	-	-	-	86,438,831
33	Jul-18	74,849,694	12,963,742	-	744,460	-	-	-	-	-	-	-	-	88,557,895
34	Aug-18	75,387,319	13,689,841	-	744,568	18,447,422	-	-	-	-	-	-	-	108,269,151
35	Sep-18	75,702,229	13,269,068	-	744,685	18,574,163	-	-	-	-	-	-	-	108,290,145
36	Oct-18	76,397,623	13,442,810	8,853,763	34,167,560	18,769,883	37,705,846	77,363,529	-	-	-	-	-	266,701,014
37	Nov-18	76,548,748	13,448,255	8,899,185	34,765,823	18,906,721	37,740,298	77,775,704	1,420,241	-	-	-	-	269,504,976
38	Dec-18	77,153,921	13,567,454	42,750,917	83,276,694	19,204,184	63,037,809	78,214,686	1,482,852	65,120,650	1,393,502	-	-	445,202,670
39	Jan-19	77,069,069	13,617,191	67,522,261	84,251,914	19,215,233	72,001,308	78,597,191	1,521,241	87,098,672	1,429,146	61,946,196	273	564,269,696
40	Feb-19	77,231,779	13,654,268	68,076,679	84,554,363	19,115,964	75,615,787	78,909,715	1,522,429	89,462,433	1,465,875	66,930,868	1,509	576,541,669
41	Mar-19	77,209,994	13,688,061	68,818,113	161,735,296	19,125,923	76,250,378	79,114,732	1,524,697	92,451,702	1,476,097	67,328,745	3,024	658,726,764
42	Apr-19	77,209,194	13,688,061	69,288,649	163,127,150	19,125,923	77,331,150	79,286,644	1,525,627	95,943,062	1,484,052	67,803,526	4,938	665,817,977
43	May-19	77,203,577	13,688,061	69,463,336	164,716,695	19,125,923	77,668,671	79,245,880	1,525,627	97,081,337	1,477,999	67,906,976	5,378	669,109,462
44	Jun-19	77,191,356	13,688,061	69,540,081	169,455,684	19,125,923	77,856,474	81,903,644	1,525,627	99,036,028	1,478,661	68,221,972	6,145	679,029,657
45	Jul-19	77,203,725	13,688,061	69,639,062	167,875,835	19,125,923	77,895,649	80,973,095	1,525,627	99,379,164	1,478,711	68,241,914	6,203	677,032,969
46	Aug-19	77,203,730	13,688,061	70,108,949	169,729,829	19,125,923	78,189,878	81,018,934	1,525,627	99,755,166	1,478,579	68,546,770	6,343	680,377,789
47	Sep-19	77,203,723	13,688,061	70,119,334	170,651,068	19,125,923	78,221,567	81,024,751	1,525,627	100,107,725	1,478,579	68,538,187	6,505	681,691,050
48	Oct-19	77,203,723	13,688,061	70,119,334	170,934,307	19,125,923	78,362,330	81,040,411	1,525,627	100,332,175	1,478,579	68,631,481	6,601	682,448,552
49	Nov-19	77,203,723	13,688,061	70,119,334	170,517,069	19,125,923	78,387,301	81,039,178	1,525,627	100,447,494	1,478,579	68,641,809	6,667	682,180,765
50	Dec-19	77,203,723	13,688,061	70,119,334	171,328,538	19,125,923	78,393,210	91,458,371	1,525,627	100,620,591	1,478,579	68,647,075	6,667	693,595,700
51	Jan-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
52	Feb-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
53	Mar-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
54	Apr-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
55	May-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
56	Jun-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237
57	Jul-20	77,203,723	13,688,061	70,119,334	171,284,349	19,125,923	78,393,210	91,650,046	1,525,627	100,620,642	1,478,579	68,647,075	6,667	693,743,237

Source: Duke Energy Carolinas Asset Accounting to all pages

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Duke Energy Carolinas - Coal Ash Non ARO - System Depreciation Expense

		312 Belews Depreciation Expense	312 Cliffside Depreciation Expense	311 Belews Depreciation Expense	311 Marshall Depreciation Expense	311 Lee Depreciation Expense	311 Allen Depreciation Expense	312 Marshall Depreciation Expense	312 Cliffside 6 Depreciation Expense	311 Cliffside 5 & 6 Depreciation Expense	341 Buck Depreciation Expense	312 Allen Depreciation Expense	315 Cliffside 5&6 Depreciation Expense	Total Depreciation Expense
58	Depreciation Rate Prior To 8/2018	0.0297	0.0354	0.0257	0.0282	0.0675	0.0357	0.0354	0.0324	0.0299	0.0296	0.0534	0.0322	
59	Depreciation Rate Beg. 8/2018	0.0296	0.0366	0.0307	0.0314	0.0319	0.0473	0.0328	0.0299	0.0311	0.028	0.037	0.0311	
60	Jan-18													-
61	Feb-18	-	96	-	-	-	-	-	-	-	-	-	-	96
62	Mar-18	-	96	-	-	-	-	-	-	-	-	-	-	96
63	Apr-18	20,057	2,120	-	-	-	-	-	-	-	-	-	-	22,177
64	May-18	20,157	2,120	-	1,749	-	-	-	-	-	-	-	-	24,026
65	Jun-18	178,783	2,120	-	1,749	-	-	-	-	-	-	-	-	182,652
66	Jul-18	181,560	36,394	-	1,749	-	-	-	-	-	-	-	-	219,703
67	Aug-18	184,629	39,539	-	1,948	-	-	-	-	-	-	-	-	226,117
68	Sep-18	185,955	41,754	-	1,948	49,039	-	-	-	-	-	-	-	278,697
69	Oct-18	186,732	40,471	-	1,949	49,376	-	-	-	-	-	-	-	278,528
70	Nov-18	188,447	41,001	22,651	89,405	49,897	148,624	211,460	-	-	-	-	-	751,485
71	Dec-18	188,820	41,017	22,767	90,971	50,260	148,760	212,587	3,539	-	-	-	-	758,721
72	Jan-19	190,313	41,381	109,371	217,907	51,051	248,474	213,787	3,695	168,771	3,252	-	-	1,248,001
73	Feb-19	190,104	41,532	172,744	220,459	51,080	283,805	214,832	3,790	225,731	3,335	191,001	1	1,598,415
74	Mar-19	190,505	41,646	174,163	221,251	50,817	298,052	215,687	3,793	231,857	3,420	206,370	4	1,637,564
75	Apr-19	190,451	41,749	176,060	423,207	50,843	300,554	216,247	3,799	239,604	3,444	207,597	8	1,853,563
76	May-19	190,449	41,749	177,263	426,849	50,843	304,814	216,717	3,801	248,652	3,463	209,061	13	1,873,675
77	Jun-19	190,435	41,749	177,710	431,009	50,843	306,144	216,605	3,801	251,602	3,449	209,380	14	1,882,742
78	Jul-19	190,405	41,749	177,907	443,409	50,843	306,884	223,870	3,801	256,668	3,450	210,351	16	1,909,354
79	Aug-19	190,436	41,749	178,160	439,275	50,843	307,039	221,326	3,801	257,558	3,450	210,413	16	1,904,066
80	Sep-19	190,436	41,749	179,362	444,126	50,843	308,198	221,452	3,801	258,532	3,450	211,353	16	1,913,319
81	Oct-19	190,436	41,749	179,389	446,537	50,843	308,323	221,468	3,801	259,446	3,450	211,326	17	1,916,784
82	Nov-19	190,436	41,749	179,389	447,278	50,843	308,878	221,510	3,801	260,028	3,450	211,614	17	1,918,993
83	Dec-19	190,436	41,749	179,389	446,186	50,843	308,977	221,507	3,801	260,326	3,450	211,646	17	1,918,327
84	Jan-20	190,436	41,749	179,389	448,310	50,843	309,000	249,986	3,801	260,775	3,450	211,662	17	1,949,417
85	Feb-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
86	Mar-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
87	Apr-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
88	May-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
89	Jun-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826
90	Jul-20	190,436	41,749	179,389	448,194	50,843	309,000	250,510	3,801	260,775	3,450	211,662	17	1,949,826

Source: Duke Energy Carolinas Asset Accounting to all pages

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Duke Energy Carolinas - Cost of Service - Allocation Factors

<u>Line</u> <u>No.</u>	<u>Allocation Factor</u>	<u>NC Retail</u> <u>2016</u>	<u>NC Retail</u> <u>2017</u>	<u>NC Retail</u> <u>2018</u>
1	Allocation Factor - Demand at Generation Level	67.0068%	67.4614%	67.4345%
2	Allocation Factor - MWHs at Generation	66.6244%	65.9759%	65.8832%

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Weighted Cost of Capital Rates for Duke Energy Carolinas

1				<u>Jan-Jul 2018</u>		
2		Capitalization	Approved	<u>Weighted Cost of Capital (WACC)</u>		
3	<u>Description</u>	<u>Ratio [1]</u>	<u>Cost Rate [1]</u>	<u>Return</u>	<u>After tax</u>	<u>Before Tax</u>
4						
5	Long Term Debt	47.00%	5.26%	2.4722%	1.8884%	2.4722%
6	Equity	53.00%	10.20%	5.4060%	5.4060%	7.0773%
7	Total	<u>100.00%</u>		<u>7.8782%</u>	<u>7.2944%</u>	<u>9.5495%</u>
8						
9	Return on Equity Rate		2.0344%			
10	Effective State and Federal Income Tax Rate		23.6149% [3]			
11						
12				<u>Aug-Dec 2018</u>		
13		Capitalization	Approved	<u>Weighted Cost of Capital (WACC)</u>		
14	<u>Description</u>	<u>Ratio [2]</u>	<u>Cost Rate [2]</u>	<u>Return</u>	<u>After tax</u>	<u>Before Tax</u>
15						
16	Long Term Debt	48.00%	4.59%	2.2032%	1.6829%	2.2032%
17	Equity	52.00%	9.90%	5.1480%	5.1480%	6.7395%
18	Total	<u>100.00%</u>		<u>7.3512%</u>	<u>6.8309%</u>	<u>8.9427%</u>
19						
20	Return on Equity Rate		2.2409%			
21	Effective State and Federal Income Tax Rate		23.6149% [3]			
22						
23				<u>Jan-Dec 2019</u>		
24		Capitalization	Approved	<u>Weighted Cost of Capital (WACC)</u>		
25	<u>Description</u>	<u>Ratio [2]</u>	<u>Cost Rate [2]</u>	<u>Return</u>	<u>After tax</u>	<u>Before Tax</u>
26						
27	Long Term Debt	48.00%	4.59%	2.2032%	1.6887%	2.2032%
28	Equity	52.00%	9.90%	5.1480%	5.1480%	6.7163%
29	Total	<u>100.00%</u>		<u>7.3512%</u>	<u>6.8367%</u>	<u>8.9195%</u>
30						
31	Return on Equity Rate		2.2467%			
32	Effective State and Federal Income Tax Rate		23.3503% [4]			

[1] Cost of capital rates from Docket No. E-7, Sub 1026

[2] Cost of capital rates from Docket No. E-7, Sub 1146

[3] Duke Energy Carolinas Accounting

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

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Depreciation Rates

	Prior to Aug 2018	Beg. Aug 2018
1 D FOS 312 Belews Crk	2.97%	2.96%
2 D FOS 311 Belews Crk	2.57%	3.07%
3 D FOS 312 Cliffside 5	3.54%	3.66%
4 D FOS 311 Marshall	2.82%	3.14%
5 D FOS 311 Lee-20003	6.57%	3.19%
6 D FOS 311 Allen-20003	3.57%	4.73%
7 D FOS 312 Marshall-20003	3.54%	3.28%
8 D FOS 312 Cliffside 6-20003	3.24%	2.99%
9 D FOS 312 Allen-20003	5.34%	3.70%
10 D FOS 311 Cliffside 5&6-20003	2.99%	3.11%
11 D OTH 341 Buck-20004	2.96%	2.80%
12 D FOS 315 Cliffside 5&6-20003	3.22%	3.11%

Source: Duke Energy Asset Accounting

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Project	CBC000214	CBC000370	CCS051310	CCS051492	CBC000360	CBC000443	CBC000444	CMS000212	CMS000285	CMS000286	CMS000602	CLS000085	CAS000201
Project Description	Alternate Start-up Dry Fly Ash System	BC Dry Bottom Ash Conversion	US Bottom Ash Conveying Sys.	CS Unit 5 Dry Flyash Conversion	Enhanced FGD Wastewater Treatment	CCP Storm Water/Process Water Reroute	CCP Lined Retention Basin	MAR Enhncd. FGD Wastewater Treat.	Storm Water/Process Water Reroute	Lined Retention Basin	CCP - Dry Bottom Ash Haul road construction	Waste Water Treatment	Enhanced FGD Wastewater Treatment
Depreciation Group	D FOS 312 Belews Crk-20003	D FOS 312 Belews Crk-20003	D FOS 312 Cliffside 5-20003	D FOS 312 Cliffside 5-20003	D FOS 311 Belews Crk-20003	D FOS 311 Belews Crk-20003	D FOS 311 Belews Crk-20003	D FOS 311 Marshall-20003	D FOS 311 Marshall-20003	D FOS 311 Marshall-20003	D FOS 311 Marshall-20003	D FOS 311 Lee-20003	D FOS 311 Allen-20003
201801					32,555								
201802													
201803	8,103,839			686,080									
201804	40,354										744,144		
201805	99,658	63,991,879									106		
201806	326,232	795,467	11,617,735	677							103		
201807	51,664	1,440,601	626,000	694							106		
201808	5,493	532,133	644,230	81,870							108	18,447,422	
201809	24,883	290,027	(421,543)	770							117	126,741	
201810	108,015	587,380	173,057	686	8,853,763					33,422,770	105	195,720	
201811	13,238	137,887	8,285	(2,840)	45,423					598,701	(438)	136,838	
201812	16,129	589,044	115,089	4,110	127,180			33,724,552	48,060,947	449,292	631	297,463	
201901	(604)	(84,248)	49,737		2,540	24,602,504	166,299		255,811	719,468	(59)	11,049	8,255,156
201902		162,710	37,077		30,017	277,541	246,860		244,962	57,487		(99,269)	459,768
201903		(21,785)	33,792		86,635	632,242	22,557	76,558,418	485,123	137,394		9,959	327,216
201904		(800)			2,389	255,936	212,212	1,390,263	15,050	(13,460)			551,834
201905		(5,616)			21,058	126,162	27,467	1,381,060	195,844	12,641	0		34,674
201906		(12,221)			(34,621)	89,223	22,142	4,630,598	19,526	88,866			47,399
201907		12,368			95,965		(2,870)	(1,660,617)	79,200	1,568			13,282
201908		5			(1,518)	152,089	319,316	1,186,633	663,711	3,650			57,814
201909		(7)			8,388	1,997		919,438	1,807	(6)			8,266
201910	-	0		-	(0)		(0)	144,876	137,444	919			103,179
201911								(416,856)	78	(460)			9,370
201912								719,370	92,099				5,909
202001								137,772	(44,188)				
Grand Total	8,788,900	68,414,823	12,883,460	804,601	9,147,141	26,233,658	34,738,535	84,990,953	50,207,413	35,478,830	744,925	19,125,923	9,873,867

Tax Basis for Bonus Depreciation ADIT

Project	CBC000214	CBC000370	CCS051310	CCS051492	CBC000360	CBC000443	CBC000444	CMS000212	CMS000285	CMS000286	CMS000602	CLS000085	CAS000201
Project Description	Alternate Start-up Dry Fly Ash System	BC Dry Bottom Ash Conversion	US Bottom Ash Conveying Sys.	CS Unit 5 Dry Flyash Conversion	Enhanced FGD Wastewater Treatment	CCP Storm Water/Process Water Reroute	CCP Lined Retention Basin	MAR Enhncd. FGD Wastewater Treat.	Storm Water/Process Water Reroute	Lined Retention Basin	CCP - Dry Bottom Ash Haul road construction	Waste Water Treatment	Enhanced FGD Wastewater Treatment
Bonus Depr Eligible	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	NO
Initial In Service Year	2018	2018	2018	2018	2018	2019	2018	2019	2018	2018		2018	
Bonus Depr %	50%	50%	50%	50%	50%	40%	50%	40%	50%	50%		50%	
201801	-	-	-	16,278	-	-	-	-	-	-	-	-	-
201802	-	-	-	-	-	-	-	-	-	-	-	-	-
201803	4,051,919	-	-	343,040	-	-	-	-	-	-	-	-	-
201804	20,177	-	-	-	-	-	-	-	-	-	-	-	-
201805	49,829	31,995,939	-	-	-	-	-	-	-	-	-	-	-
201806	163,116	397,734	5,808,868	339	-	-	-	-	-	-	-	-	-
201807	25,832	720,300	313,000	347	-	-	-	-	-	-	-	-	-
201808	2,746	266,066	322,115	40,935	-	-	-	-	-	-	-	9,223,711	-
201809	12,441	145,013	(210,771)	385	-	-	-	-	-	-	-	63,370	-
201810	54,008	293,690	86,528	343	4,426,881	-	-	-	-	16,711,385	-	97,860	-
201811	6,619	68,943	4,143	(1,420)	22,711	-	-	-	-	299,351	-	68,419	-
201812	8,065	294,522	57,544	2,055	63,590	-	16,862,276	-	24,030,473	224,646	-	148,732	-
201901	(302)	(42,124)	24,869	-	1,270	9,841,002	83,150	-	127,905	359,734	-	5,524	-
201902	-	81,355	18,539	-	15,009	111,016	123,430	-	122,481	28,743	-	(49,634)	-
201903	-	(10,892)	16,896	-	43,318	252,897	11,278	30,623,367	242,561	68,697	-	4,980	-
201904	-	(400)	-	-	1,195	102,374	106,106	556,105	7,525	(6,730)	-	-	-
201905	-	(2,808)	-	-	10,529	50,465	13,733	552,424	97,922	6,320	-	-	-
201906	-	(6,110)	-	-	(17,311)	35,689	11,071	1,852,239	9,763	44,433	-	-	-
201907	-	6,184	-	-	2,943	38,386	(1,435)	(664,247)	39,600	784	-	-	-
201908	-	2	-	-	(759)	60,836	159,658	474,653	331,855	1,825	-	-	-
201909	-	(3)	-	-	4,194	799	-	367,775	903	(3)	-	-	-
201910	-	-	-	-	-	-	-	57,950	68,722	460	-	-	-
201911	-	-	-	-	-	-	-	(166,743)	39	(230)	-	-	-
201912	-	-	-	-	-	-	-	287,748	46,050	-	-	-	-
202001	-	-	-	-	-	-	-	55,109	(22,094)	-	-	-	-
Total Bonus Depr Tax basis	4,394,450	34,207,411	6,441,730	402,301	4,573,570	10,493,463	17,369,267	33,996,381	25,103,707	17,739,415	-	9,562,962	-

Calculated Deferred Income Tax due to Bonus Depreciation

Project	CBC000214	CBC000370	CCS051310	CCS051492	CBC000360	CBC000443	CBC000444	CMS000212	CMS000285	CMS000286	CMS000602	CLS000085	CAS000201
Project Description	Alternate Start-up Dry Fly Ash System	BC Dry Bottom Ash Conversion	US Bottom Ash Conveying Sys.	CS Unit 5 Dry Flyash Conversion	Enhanced FGD Wastewater Treatment	CCP Storm Water/Process Water Reroute	CCP Lined Retention Basin	MAR Enhncd. FGD Wastewater Treat.	Storm Water/Process Water Reroute	Lined Retention Basin	CCP - Dry Bottom Ash Haul road construction	Waste Water Treatment	Enhanced FGD Wastewater Treatment
Tax Rate	23.3503%												
201801	-	-	-	(3,801)	-	-	-	-	-	-	-	-	-
201802	-	-	-	-	-	-	-	-	-	-	-	-	-
201803	(946,135)	-	-	(80,101)	-	-	-	-	-	-	-	-	-
201804	(4,711)	-	-	-	-	-	-	-	-	-	-	-	-
201805	(11,635)	(7,471,148)	-	-	-	-	-	-	-	-	-	-	-
201806	(38,088)	(92,872)	(1,356,388)	(79)	-	-	-	-	-	-	-	-	-
201807	(6,032)	(168,192)	(73,086)	(81)	-	-	-	-	-	-	-	-	-
201808	(641)	(62,127)	(75,215)	(9,558)	-	-	-	-	-	-	-	(2,153,764)	-
201809	(2,905)	(33,861)	49,216	(90)	-	-	-	-	-	-	-	(14,797)	-
201810	(12,611)	(68,577)	(20,205)	(80)	(1,033,690)	-	-	-	-	(3,902,159)	-	(22,851)	-
201811	(1,546)	(16,098)	(967)	332	(5,303)	-	-	-	-	(69,899)	-	(15,976)	-
201812	(1,883)	(68,772)	(13,437)	(480)	(14,848)	-	(3,937,392)	-	(5,611,188)	(52,456)	-	(34,729)	-
201901	71	9,836	(5,807)	-	(297)	(2,297,903)	(19,416)	-	(29,866)	(83,999)	-	(1,290)	-
201902	-	(18,997)	(4,329)	-	(3,505)	(25,923)	(28,821)	-	(28,600)	(6,712)	-	11,590	-
201903	-	2,543	(3,945)	-	(10,115)	(59,052)	(2,634)	(7,150,648)	(56,639)	(16,041)	-	(1,163)	-
201904	-	93	-	-	(279)	(23,905)	(24,776)	(129,852)	(1,757)	-	-	1,571	-
201905	-	656	-	-	(2,459)	(11,784)	(3,207)	(128,993)	(22,865)	(1,476)	-	-	-
201906	-	1,427	-	-	4,042	(8,334)	(2,585)	(432,503)	(2,280)	(10,375)	-	-	-
201907	-	(1,444)	-	-	(687)	(8,963)	335	155,104	(9,247)	(183)	-	-	-
201908	-	(1)	-	-	177	(14,205)	(37,281)	(110,833)	(77,489)	(426)	-	-	-
201909	-	1	-	-	(979)	(186)	-	(85,877)	(211)	1	-	-	-
201910	-	-	-	-	-	-	-	(13,532)	(16,047)	(107)	-	-	-
201911	-	-	-	-	-	-	-	38,935	(9)	54	-	-	-
201912	-	-	-	-	-	-	-	(67,190)	(10,753)	-	-	-	-
202001	-	-	-	-	-	-	-	(12,868)	5,159	-	-	-	-
	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,938,257)	(5,861,791)	(4,142,207)	-	(2,232,980)	-

Accumulated Deferred Income taxes

Project	CBC000214	CBC000370	CCS051310	CCS051492	CBC000360	CBC000443	CBC000444	CMS000212	CMS000285	CMS000286	CMS000602	CLS000085	CAS000201
Project Description	Alternate Start-up Dry Fly Ash System	BC Dry Bottom Ash Conversion	US Bottom Ash Conveying Sys.	CS Unit 5 Dry Flyash Conversion	Enhanced FGD Wastewater Treatment	CCP Storm Water/Process Water Reroute	CCP Lined Retention Basin	MAR Enhncd. FGD Wastewater Treat.	Storm Water/Process Water Reroute	Lined Retention Basin	CCP - Dry Bottom Ash Haul road construction	Waste Water Treatment	Enhanced FGD Wastewater Treatment
201801	-	-	-	(3,801)	-	-	-	-	-	-	-	-	-
201802	-	-	-	(3,801)	-	-	-	-	-	-	-	-	-
201803	(946,135)	-	-	(83,902)	-	-	-	-	-	-	-	-	-
201804	(950,847)	-	-	(83,902)	-	-	-	-	-	-	-	-	-
201805	(962,482)	(7,471,148)	-	(83,902)	-	-	-	-	-	-	-	-	-
201806	(1,000,570)	(7,564,020)	(1,356,388)	(83,981)	-	-	-	-	-	-	-	-	-
201807	(1,006,602)	(7,732,212)	(1,429,474)	(84,062)	-	-	-	-	-	-	-	-	-
201808	(1,007,243)	(7,794,339)	(1,504,689)	(93,620)	-	-	-	-	-	-	-	(2,153,764)	-
201809	(1,010,148)	(7,828,201)	(1,455,474)	(93,710)	-	-	-	-	-	-	-	(2,168,561)	-
201810	(1,022,759)	(7,896,778)	(1,475,678)	(93,790)	(1,033,690)	-	-	-	-	(3,902,159)	-	(2,191,412)	-
201811	(1,024,305)	(7,912,876)	(1,476,645)	(93,459)	(1,038,993)	-	-	-	-	(3,972,058)	-	(2,207,388)	-
201812	(1,026,188)	(7,981,648)	(1,490,082)	(93,938)	(1,053,842)	-	(3,937,392)	-	(5,611,188)	(4,024,513)	-	(2,242,117)	-
201901	(1,026,117)	(7,971,812)	(1,495,889)	(93,938)	(1,054,138)	(2,297,903)	(3,956,808)	-	(5,641,054)	(4,108,512)	-	(2,243,407)	-
201902	(1,026,117)	(7,990,809)	(1,500,218)	(93,938)	(1,057,643)	(2,323,826)	(3,985,629)	-	(5,669,654)	(4,115,224)	-	(2,231,818)	-
201903	(1,026,117)	(7,988,265)	(1,504,163)	(93,938)	(1,067,758)	(2,382,878)	(3,988,263)	(7,150,648)	(5,726,292)	(4,131,265)	-	(2,232,980)	-
201904	(1,026,117)	(7,988,172)	(1,504,163)	(93,938)	(1,068,037)	(2,406,783)	(4,013,039)	(7,280,500)	(5,728,050)	(4,129,693)	-	(2,232,980)	-
201905	(1,026,117)	(7,987,516)	(1,504,163)	(93,938)	(1,070,495)	(2,418,567)	(4,016,245)	(7,409,493)	(5,750,915)	(4,131,169)	-	(2,232,980)	-
201906	(1,026,117)	(7,986,089)	(1,504,163)	(93,938)	(1,066,453)	(2,426,900)	(4,018,831)	(7,841,996)	(5,753,194)	(4,141,545)	-	(2,232,980)	-
201907	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,140)	(2,435,863)	(4,018,495)	(7,686,893)	(5,762,441)	(4,141,728)	-	(2,232,980)	-
201908	(1,026,117)	(7,987,534)	(1,504,163)	(93,938)	(1,066,963)	(2,450,069)	(4,055,776)	(7,797,726)	(5,839,930)	(4,142,154)	-	(2,232,980)	-
201909	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,883,602)	(5,840,141)	(4,142,153)	-	(2,232,980)	-
201910	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,897,134)	(5,856,188)	(4,142,260)	-	(2,232,980)	-
201911	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,858,199)	(5,856,197)	(4,142,207)	-	(2,232,980)	-
201912	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,925,389)	(5,866,950)	(4,142,207)	-	(2,232,980)	-
202001	(1,026,117)	(7,987,533)	(1,504,163)	(93,938)	(1,067,942)	(2,450,255)	(4,055,776)	(7,938,257)	(5,861,791)	(4,142,207)	-	(2,232,980)	-

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Docket No. E-7, Sub 1214
Amortize deferred environmental c
For the test period ended Decemt

Project	CAS000281	CAS000282	CMSCM1227	CM5000156	CCS060038	CCS560046	CCS560047	CCS560077	CBKCC0027	CAS000026	CCS560047	
Project Description	Storm Water/Process Water Reroute	Lined Retention Basin	MS Dry Bottom Ash System Conversion	CCP - Marshall Dry Fly Ash Reliability	CCP CS #6 Air Heater Flyash System	Storm Water/Process Water Reroute	Active Waste Water Treatment System	Lined Retention Basins	CCP Process Water Reroute	DRY BOTTOM ASH CONVERSION	Active Waste Water Treatment System	Total
Depreciation Group	D FOS 311 Allen-20003	D FOS 311 Allen-20003	D FOS 312 Marshall-20003	D FOS 312 Marshall-20003	D FOS 312 Cliffside 6-20003	D FOS 311 Cliffside 5&6-20003	D FOS 311 Cliffside 5&6-20003	D FOS 311 Cliffside 5&6-20003	D OTH 341 Buck-20004	D FOS 312 Allen-20003	D FOS 315 Cliffside 5&6-20003	
201801												32,555
201802												-
201803												8,789,919
201804												784,499
201805												64,091,643
201806												12,740,215
201807												2,119,064
201808												19,711,255
201809												20,994
201810		37,705,846	77,363,529									158,410,869
201811		34,452	412,175			1,420,241						2,803,962
201812	24,960,779	336,732	438,982		62,611		51,894,994	13,225,656	1,393,502			175,697,694
201901	344,126	364,217	382,505		38,389	20,883,598	823,315	271,110	35,644	61,946,196	273	119,067,026
201902	2,858,549	296,162	312,523		1,188	164,388	2,038,497	160,877	36,729	4,984,671	1,236	12,271,973
201903	131,033	176,343	205,018		2,268	567,495	2,292,659	129,115	10,222	397,877	1,515	82,185,095
201904	245,620	283,317	171,911		930	519,328	2,895,774	76,258	7,955	474,781	1,914	7,091,213
201905	169,032	133,816	(40,763)			436,648	664,878	36,749	(6,053)	103,450	439	3,291,485
201906	121,856	18,547	2,657,764			711,612	1,159,955	83,124	662	314,996	767	9,920,196
201907	18,699	7,194	(930,549)			120,224	87,990	134,922	50	19,942	58	(1,996,688)
201908	234,201	2,214	45,839			13,739	212,453	149,810	(132)	304,856	140	3,344,820
201909	14,605	8,819	5,816			94,086	244,482	13,992		(8,583)	162	1,313,261
201910	37,584		15,661			37,429	144,953	42,068		93,294	96	757,502
201911	15,601		(1,233)			13,976	100,010	1,333		10,327	66	(267,787)
201912			689	10,418,504		173,098				5,267		11,414,935
202001			53,902			51						147,537
Grand Total	29,151,686	39,367,658	81,039,867	10,472,406	1,525,627	23,735,669	62,559,961	14,325,012	1,478,579	68,647,075	6,667	693,743,237

Tax Basis for Bonus Depreciation ADIT

Project	CAS000281	CAS000282	CMSCM1227	CM5000156	CCS060038	CCS560046	CCS560047	CCS560077	CBKCC0027	CAS000026	CCS560047	
Project Description	Storm Water/Process Water Reroute	Lined Retention Basin	MS Dry Bottom Ash System Conversion	CCP - Marshall Dry Fly Ash Reliability	CCP CS #6 Air Heater Flyash System	Storm Water/Process Water Reroute	Active Waste Water Treatment System	Lined Retention Basins	CCP Process Water Reroute	DRY BOTTOM ASH CONVERSION	Active Waste Water Treatment System	Total
Bonus Depr Eligible	YES	YES	YES	NO	NO	YES	YES	NO	YES	YES	YES	
Initial In Service Year	2018	2018	2018			2019	2018		2018	2019	2019	
Bonus Depr %	50%	50%	50%			40%	50%		50%	40%	40%	
201801	-	-	-	-	-	-	-	-	-	-	-	16,278
201802	-	-	-	-	-	-	-	-	-	-	-	-
201803	-	-	-	-	-	-	-	-	-	-	-	4,394,959
201804	-	-	-	-	-	-	-	-	-	-	-	20,177
201805	-	-	-	-	-	-	-	-	-	-	-	32,045,768
201806	-	-	-	-	-	-	-	-	-	-	-	6,370,056
201807	-	-	-	-	-	-	-	-	-	-	-	1,059,479
201808	-	-	-	-	-	-	-	-	-	-	-	9,855,574
201809	-	-	-	-	-	-	-	-	-	-	-	10,438
201810	-	18,852,923	38,681,765	-	-	-	-	-	-	-	-	79,205,383
201811	-	17,226	206,088	-	-	-	-	-	-	-	-	692,079
201812	12,480,390	168,366	219,491	-	-	-	25,947,497	-	696,751	-	-	81,204,398
201901	172,063	182,108	191,253	-	-	8,353,439	411,657	-	17,822	24,778,479	109	44,507,958
201902	1,429,274	148,081	156,262	-	-	65,755	1,019,249	-	18,364	1,993,868	494	5,282,286
201903	65,516	88,171	102,509	-	-	226,998	1,146,329	-	5,111	159,151	606	33,047,494
201904	122,810	141,658	85,956	-	-	207,731	1,447,887	-	3,977	189,912	766	2,966,873
201905	84,516	66,908	(20,382)	-	-	174,659	332,439	-	(3,026)	41,380	176	1,405,255
201906	60,928	9,274	1,328,882	-	-	284,645	579,978	-	331	125,998	307	4,320,117
201907	9,349	3,597	(465,275)	-	-	48,090	43,995	-	25	7,977	23	(930,003)
201908	117,101	1,107	22,919	-	-	5,496	106,227	-	(66)	121,943	56	1,402,852
201909	7,302	4,409	2,908	-	-	37,634	122,241	-	-	(3,433)	65	544,792
201910	18,792	-	7,830	-	-	14,971	72,477	-	-	37,318	38	278,558
201911	7,801	-	(616)	-	-	5,590	50,005	-	-	4,131	26	(99,996)
201912	-	-	345	-	-	69,239	-	-	-	2,107	-	405,488
202001	-	-	-	-	-	20	-	-	-	-	-	33,035
Total Bonus Depr Tax basis	14,575,843	19,683,829	40,519,934	-	-	9,494,268	31,279,981	-	739,289	27,458,830	2,667	308,039,298

Calculated Deferred Income Tax due to

Project	CAS000281	CAS000282	CMSCM1227	CMS000156	CCS060038	CCS560046	CCS560047	CCS560077	CBKCC0027	CAS000026	CCS560047	
Project Description	Storm Water/Process Water Reroute	Lined Retention Basin	MS Dry Bottom Ash System Conversion	CCP - Marshall Dry Fly Ash Reliability	CCP CS #6 Air Heater Flyash System	Storm Water/Process Water Reroute	Active Waste Water Treatment System	Lined Retention Basins	CCP Process Water Reroute	DRY BOTTOM ASH CONVERSION	Active Waste Water Treatment System	Total
Tax Rate												
201801	-	-	-	-	-	-	-	-	-	-	-	(3,801)
201802	-	-	-	-	-	-	-	-	-	-	-	-
201803	-	-	-	-	-	-	-	-	-	-	-	(1,026,236)
201804	-	-	-	-	-	-	-	-	-	-	-	(4,711)
201805	-	-	-	-	-	-	-	-	-	-	-	(7,482,783)
201806	-	-	-	-	-	-	-	-	-	-	-	(1,487,427)
201807	-	-	-	-	-	-	-	-	-	-	-	(247,392)
201808	-	-	-	-	-	-	-	-	-	-	-	(2,301,306)
201809	-	-	-	-	-	-	-	-	-	-	-	(2,437)
201810	-	(4,402,214)	(9,032,308)	-	-	-	-	-	-	-	-	(18,494,694)
201811	-	(4,022)	(48,122)	-	-	-	-	-	-	-	-	(161,603)
201812	(2,914,208)	(39,314)	(51,252)	-	-	-	(6,058,818)	-	(162,693)	-	-	(18,961,471)
201901	(40,177)	(42,523)	(44,658)	-	-	(1,950,553)	(96,123)	-	(4,162)	(5,785,849)	(26)	(10,392,742)
201902	(333,740)	(34,577)	(36,488)	-	-	(15,354)	(237,998)	-	(4,288)	(465,574)	(115)	(1,233,430)
201903	(15,298)	(20,588)	(23,936)	-	-	(53,005)	(267,671)	-	(1,193)	(37,162)	(142)	(7,716,689)
201904	(28,677)	(33,078)	(20,071)	-	-	(48,506)	(338,086)	-	(929)	(44,345)	(179)	(692,774)
201905	(19,735)	(15,623)	4,759	-	-	(40,783)	(77,626)	-	707	(9,662)	(41)	(328,131)
201906	(14,227)	(2,165)	(310,298)	-	-	(66,465)	(135,427)	-	(77)	(29,421)	(72)	(1,008,760)
201907	(2,183)	(840)	108,643	-	-	(11,229)	(10,273)	-	(6)	(1,863)	(5)	217,159
201908	(27,343)	(258)	(5,352)	-	-	(1,283)	(24,804)	-	15	(28,474)	(13)	(327,570)
201909	(1,705)	(1,030)	(679)	-	-	(8,788)	(28,544)	-	-	802	(15)	(127,210)
201910	(4,388)	-	(1,828)	-	-	(3,496)	(16,924)	-	-	(8,714)	(9)	(65,044)
201911	(1,821)	-	144	-	-	(1,305)	(11,676)	-	-	(965)	(6)	23,349
201912	-	-	(80)	-	-	(16,168)	-	-	-	(492)	-	(94,683)
202001	-	-	-	-	-	(5)	-	-	-	-	-	(7,714)
	(3,403,503)	(4,596,233)	(9,461,526)	-	-	(2,216,940)	(7,303,969)	-	(172,626)	(6,411,719)	(623)	(71,928,100)

Accumulated Deferred Income taxes

Project	CAS000281	CAS000282	CMSCM1227	CMS000156	CCS060038	CCS560046	CCS560047	CCS560077	CBKCC0027	CAS000026	CCS560047	
Project Description	Storm Water/Process Water Reroute	Lined Retention Basin	MS Dry Bottom Ash System Conversion	CCP - Marshall Dry Fly Ash Reliability	CCP CS #6 Air Heater Flyash System	Storm Water/Process Water Reroute	Active Waste Water Treatment System	Lined Retention Basins	CCP Process Water Reroute	DRY BOTTOM ASH CONVERSION	Active Waste Water Treatment System	Total
201801	-	-	-	-	-	-	-	-	-	-	-	(3,801)
201802	-	-	-	-	-	-	-	-	-	-	-	(3,801)
201803	-	-	-	-	-	-	-	-	-	-	-	(1,030,037)
201804	-	-	-	-	-	-	-	-	-	-	-	(1,034,749)
201805	-	-	-	-	-	-	-	-	-	-	-	(8,517,532)
201806	-	-	-	-	-	-	-	-	-	-	-	(10,004,959)
201807	-	-	-	-	-	-	-	-	-	-	-	(10,252,350)
201808	-	-	-	-	-	-	-	-	-	-	-	(12,553,656)
201809	-	-	-	-	-	-	-	-	-	-	-	(12,556,094)
201810	-	(4,402,214)	(9,032,308)	-	-	-	-	-	-	-	-	(31,050,788)
201811	-	(4,406,236)	(9,080,430)	-	-	-	-	-	-	-	-	(31,212,391)
201812	(2,914,208)	(4,445,550)	(9,131,682)	-	-	-	(6,058,818)	-	(162,693)	-	-	(50,173,861)
201901	(2,954,386)	(4,488,073)	(9,176,340)	-	-	(1,950,553)	(6,154,942)	-	(166,855)	(5,785,849)	(26)	(60,566,603)
201902	(3,288,126)	(4,522,651)	(9,212,828)	-	-	(1,965,907)	(6,392,939)	-	(171,143)	(6,251,423)	(141)	(61,800,033)
201903	(3,303,424)	(4,543,239)	(9,236,764)	-	-	(2,018,912)	(6,660,611)	-	(172,337)	(6,288,586)	(282)	(69,516,722)
201904	(3,332,100)	(4,576,317)	(9,256,835)	-	-	(2,067,418)	(6,998,697)	-	(173,265)	(6,332,931)	(461)	(70,209,495)
201905	(3,351,835)	(4,591,940)	(9,252,075)	-	-	(2,108,201)	(7,076,322)	-	(172,559)	(6,342,593)	(502)	(70,537,627)
201906	(3,366,062)	(4,594,105)	(9,562,373)	-	-	(2,174,666)	(7,211,749)	-	(172,636)	(6,372,014)	(574)	(71,546,387)
201907	(3,368,245)	(4,594,945)	(9,453,730)	-	-	(2,185,896)	(7,222,022)	-	(172,642)	(6,373,877)	(579)	(71,329,228)
201908	(3,395,588)	(4,595,204)	(9,459,082)	-	-	(2,187,179)	(7,246,826)	-	(172,626)	(6,402,351)	(592)	(71,656,799)
201909	(3,397,294)	(4,596,233)	(9,459,761)	-	-	(2,195,967)	(7,275,369)	-	(172,626)	(6,401,549)	(608)	(71,784,009)
201910	(3,401,682)	(4,596,233)	(9,461,590)	-	-	(2,199,462)	(7,292,293)	-	(172,626)	(6,410,263)	(617)	(71,849,053)
201911	(3,403,503)	(4,596,233)	(9,461,446)	-	-	(2,200,768)	(7,303,969)	-	(172,626)	(6,411,227)	(623)	(71,825,704)
201912	(3,403,503)	(4,596,233)	(9,461,526)	-	-	(2,216,935)	(7,303,969)	-	(172,626)	(6,411,719)	(623)	(71,920,386)
202001	(3,403,503)	(4,596,233)	(9,461,526)	-	-	(2,216,940)	(7,303,969)	-	(172,626)	(6,411,719)	(623)	(71,928,100)

Duke Energy Carolinas, LLC
 Docket No. E-7, Sub 1214
 Annualize O&M non-labor expenses
 For the test period ended December 31, 2018

NC-1200
 Narrative
 Second Settlement

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

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

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

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

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

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

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

September Update

Updated NC-1203, NC-1204 and NC-1205 for index values through September 2019.

October Update

Updated NC-1203, NC-1204 and NC-1205 for index values through October 2019.

November Update

Updated NC-1203, NC-1204 and NC-1205 for index values through November 2019.

Updated NC-1201 for revised atypical severance costs in 2018 per NC2000(C).

December Update

Updated NC-1203, NC-1204 and NC-1205 for index values through December 2019.

Updated NC-1201 to remove CPRE related O&M in 2018 per NC0600(D).

January

Index values through January 2020 for NC-1203, NC-1204 and NC-1205 are currently not available.

January Rebuttal

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

Added adjustments for changes in other proformas that impact test year O&M.

Supplemental Rebuttal

Updated NC-1201 for settlement items removed per NC3600(G) and updated adjustments to align with the settlement.

Expanded Settlement

Updated NC-1202, NC-1203, NC-1204 and NC-1205 for index values through May 2020.

Second Settlement

Updated NC-1201 to align with the settlement adjustments in NC-0400.

Line No.	Description	Source	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail
			Second Settlement	Second Supplemental - May	Supplemental Rebuttal	Rebuttal	Supplemental	Application	Change
1									
2	<u>Pro Formas Impacting Income Statement Line Items</u>								
3									
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5									
6	Electric operating expenses:								
7	Operation and maintenance								
8	Fuel used in electric generation		-	-	-	-	-	-	-
9	Purchased power		-	-	-	-	-	-	-
10	Other operation and maintenance expense	NC-1201	4,594	4,572	7,780	7,927	2,631	2,631	1,963
11	Depreciation and amortization		-	-	-	-	-	-	-
12	General taxes		-	-	-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-	-	-
14	Income taxes	NC-1201	(1,073)	(1,067)	(1,817)	(1,851)	(614)	(614)	(458)
15	Amortization of investment tax credit		-	-	-	-	-	-	-
16									
17	Total electric operating expenses	Sum L8 through L15	3,521	3,504	5,964	6,076	2,017	2,017	1,505
18									
19	Operating income	L4 - L17	\$ (3,521)	\$ (3,504)	\$ (5,964)	\$ (6,076)	\$ (2,017)	\$ (2,017)	\$ (1,505)
20									
21	Notes:								
22	Revenue: positive number increases revenue / negative number decreases revenue								
23	Expense: positive number increases expense / negative number decreases expense								
24									
25									
26	<u>Pro Formas Impacting Rate Base Line Items</u>								
27									
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization								
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-	-	-
31									
32	Add:								
33	Materials and supplies		-	-	-	-	-	-	-
34	Working capital investment		-	-	-	-	-	-	-
35			-	-	-	-	-	-	-
36									
37	Less:								
38	Accumulated deferred taxes		-	-	-	-	-	-	-
39	Operating reserves		-	-	-	-	-	-	-
40									
41									
42	Construction work in progress		-	-	-	-	-	-	-
43									
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45									
46	Note:								
47	Rate Base: positive number increases rate base / negative number decreases rate base								

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize O&M non-labor expenses
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1201
Page 1 of 1
Second Settlement

Line No.	Description	Total Carolinas (a)	NC Retail Allocation (b)	Total NC Retail (c)
1				
2				
3	O&M (excluding fuel and purchased power)	\$ 2,029,601 [1]		\$ 1,375,939 [1]
4				
5	Less: reagents expense and proceeds from sale of by-products	(33,229) [2]		(21,892) [2]
6	Less: energy efficiency, demand side program & other solar costs	(160,264) [3]		(117,372) [3]
7	Less: nuclear refueling outage costs	(54,681) [4]	100.0000% [4]	(54,681) [4]
8	Less: aviation expenses	(3,402) [5]		(2,304) [5]
9	Less: severance and retention costs	(102,108) [6]		(69,147) [6]
10	Less: vegetation management expenses - distribution	(56,457) [7]	73.6369% [8]	(41,573) [8]
11	Less: vegetation management expenses - transmission	(11,379) [7]	52.6634% [9]	(5,992) [9]
12	Less: NCUC regulatory fee	(6,452) [10]		(6,452) [10]
13	Less: rate case amortizations	(676) [10]		(676) [10]
14	Less: outside tax services contract	(897) [15]	67.7195% [12]	(607) [12]
15	Less: expiring amortizations	(16) [16]		(11) [16]
16	Less: merger related costs	(8,094) [17]		(5,530) [17]
17	Less: hydro station transfer costs and direct O&M	(2,317) [18]		(1,560) [18]
18	Less: retired hydro plants O&M	(150) [19]		(101) [19]
19	Less: advertising expense agreed to remove	(230) [19]		(175) [19]
20	Less: uncollectibles adjusted elsewhere	(16,638) [20]		(12,692) [20]
21	Add: adjustment to variable O&M expense changes in customer growth	(663) [21]		(663) [21]
22	Less: certain sponsorships removed in settlement	(136) [23]		(92) [23]
23	Less: amounts defined by PS as lobbying removed in settlement	(3,352) [23]		(2,270) [23]
24	Less: certain board of director expenses removed in settlement	(2,832) [23]		(1,910) [23]
25	Total O&M to be adjusted including labor (Sum L3 through L24)	\$ 1,565,628		\$ 1,030,238
26				
27	Net electric O&M salaries and wages	\$ 843,249 [11]		
28	Fringe benefits contribution rate	10.46% [11]		
29	Fringe benefits (L27 x L28)	\$ 88,204		
30				
31	Less: net electric O&M salaries & wages and fringe benefits (L27 + L29)	\$ 931,453	67.7195% [12]	\$ 630,775
32				
33	Total non-labor O&M to be adjusted (L25 - L31)	\$ 634,175		\$ 399,463
34	Average inflation rate	1.15% [13]		1.15% [13]
35	Impact to O&M (L33 x L34)	\$ 7,293		\$ 4,594
36				
37	Statutory tax rate	23.3503% [14]		23.3503% [14]
38	Impact to income taxes (-L35 x L37)	\$ (1,703)		\$ (1,073)
39	Impact to operating income (-L35 - L38)	\$ (5,590)		\$ (3,521)

[1] McManeus Exhibit 1, Other O&M, Page 1, Line 4, Columns 1 and 2

[2] NC-0201 - Update fuel costs to approved rate

[3] NC-0601 - Adjust for costs recovered through non-fuel riders

[4] NC-1501 - Levelize nuclear refueling outage costs

[5] NC-1701 - Adjust aviation expenses

[6] NC-2001 - Amortize severance costs - Actuals

[7] NC-2702 - Vegetation management adjustment - distribution and transmission

[8] Allocation Factor - All - Dist Plt OH - DEC

[9] Allocation Factor - All Transmission Demand

[10] E-1 Item 45A, Cost of Service, Summer CP, Included in '920-935 A&G EXP-928 REG FEE-NCUC' and '920-935 A&G EXP-928 RATE CASE AMORT-NCR'

[11] NC-1301, Normalize O&M labor expenses, Line 16 and Line 37

[12] Allocation Factor - All - Labor

[13] NC-1202 - Average of Consumer Price Index and Producer Price Index, Line 19

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

[15] NC-1311 - Adjustment to Annualize Ernst & Young outside tax services contract, Line 2

[16] NC-1801 - Adjust for approved regulatory assets and liabilities, Line 3

[17] NC-1901 - Adjust for Merger Related Costs, Line 4

[18] NC-3201 - Adjust for Hydro Stations Sale

[19] NC-3401 - Remove certain test year expenses

[20] E-1 Item 45A, Cost of Service, Summer CP, 904 CUST ACCTS EXP-UNCOLLECT. ACCTS

[21] Boswell Supplemental and Stipulation Exhibit 1, Schedule 3-1 (v), Line 3

[22] NC-2501 - Adjust for credit card fees

[23] NC-3601 - Remove certain settlement items

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize O&M non-labor expenses
For the test period ended December 31, 2018

NC-1202
Page 1 of 1
Second Settlement

Average of Consumer Price Index and Producer Price Index

Line No.	Period	CPI [1] (a)	PPI [2] Finished goods less food & energy (b)	PPI [3] Processed materials less food & energy (c)	PPI Average (d)= Average of (b) and (c)
1	December 2017	246.524	200.6	196.3	
2	January 2018	247.867	200.9	197.2	
3	February 2018	248.991	201.3	198.3	
4	March 2018	249.554	201.8	199.3	
5	April 2018	250.546	202.3	199.8	
6	May 2018	251.588	202.7	201.3	
7	June 2018	251.989	203.1	202.3	
8	July 2018	252.006	203.7	203.0	
9	August 2018	252.146	204.2	203.7	
10	September 2018	252.439	204.6	204.5	
11	October 2018	252.885	205.1	204.8	
12	November 2018	252.038	205.6	204.2	
13	December 2018	251.233	205.8	203.1	
14					
15	May 2020	256.394	209.8	195.0	
16					
17	13 month average	250.8	203.2	201.4	
18					
19	Increase from average to year end (L13 - L17)	5.6	6.6	(6.4)	
20	% increase from average to year end (L19 / L17)	2.25%	3.24%	-3.16%	0.04%
21	Average inflation rate (Average, Line 18, Col. (a) and Col. (d))	1.15%			

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

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

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize O&M non-labor expenses
For the test period ended December 31, 2018

NC-1203
Page 1 of 1
Second Settlement

Consumer Price Index - All Urban Consumers
Original Data Value

Series Id: CUUR0000SA0

Not Seasonally Adjusted

Area: U.S. city average

Item: All items

Base: 1982-84=100

Period:

Years: 2009 to 2019

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.736
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	240.007
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	251.107
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	255.657
2020	257.971	258.678	258.115	256.389	256.394								

Source: Bureau of Labor Statistics

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Annualize O&M non-labor expenses
For the test period ended December 31, 2018

NC-1204
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Second Settlement

Producer Price Index-Commodities
Original Data Value

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2009	170.8	170.9	171.2	171.3	171.2	171.8	171.4	171.8	171.6	171.5	172.1	172.1	171.5
2010	172.5	172.6	172.9	172.9	173.4	173.6	173.7	173.9	174.3	174.3	174.3	174.6	173.6
2011	175.3	175.7	176.2	176.8	177.0	177.6	178.2	178.5	179.0	179.4	179.6	180.0	177.8
2012	180.7	181.0	181.3	181.6	181.8	182.1	182.9	183.2	183.2	183.3	183.7	183.7	182.4
2013	183.9	184.2	184.4	184.6	184.8	185.0	185.2	185.3	185.4	185.6	185.9	186.7	185.1
2014	187.5	187.7	187.7	187.9	188.2	188.5	188.7	189.0	189.2	189.7	189.7	189.8	188.6
2015	190.7	191.3	191.5	191.6	191.8	192.7	193.0	193.0	193.2	193.0	193.1	193.4	192.4
2016	193.9	194.2	194.3	194.6	194.9	195.4	195.4	195.7	195.8	196.1	196.3	196.7	195.3
2017	197.1	197.4	197.8	198.5	198.6	198.8	198.9	199.2	199.2	200.0	200.5	200.6	198.9
2018	200.9	201.3	201.8	202.3	202.7	203.1	203.7	204.2	204.6	205.1	205.6	205.8	203.4
2019	206.6	206.8	207.2	207.4	207.7	207.8	208.1	208.2	208.4	208.4	208.8	208.7	207.8
2020	208.7	209.1	209.7	209.6	209.8								

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

Source: Bureau of Labor Statistics

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Annualize O&M non-labor expenses
For the test period ended December 31, 2018

NC-1205
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Second Settlement

Producer Price Index-Commodities
Original Data Value

Series Id: WPSID69115

Seasonally Adjusted

Group: Intermediate demand by commodity type

Item: Processed materials less foods and energy

Base 198200

Date:

Years: 2009 to 2019

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

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

Source: Bureau of Labor Statistics

Duke Energy Carolinas, LLC
 Docket No. E-7, Sub 1214
 Synchronize interest expense with end of period rate base
 For the test period ended December 31, 2018

NC-2200
 Narrative
 Second Settlement

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

The impact to income taxes is determined as follows:

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

January Update

Recalculated based on December updated figures

January Rebuttal

Recalculated based on changes in other proformas adjustments

Supplemental Rebuttal

Recalculated based on updated figures as a result of the settlement agreement.

May Second Supplemental

Recalculated based on updated figures as a result of the May Second Supplemental updates.

May Second Supplemental-S

Recalculated based on the change in the capital structure to a D/E ratio of 48/52.

Second Settlement

Recalculated based on updated figures as a result of the Second Settlement updates.

No.	Description	Source	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail	Total NC Retail
1			Second Settlement	May - Second Supplemental- S	May - Second Supplemental	Supplemental Rebuttal	January - Rebuttal	January - Supplemental	December	November	October	September	Application	Change
2	Pro Formas Impacting Income Statement Line Items													
3														
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5														
6	Electric operating expenses:													
7	Operation and maintenance													
8	Fuel used in electric generation		-	-	-	-	-	-	-	-	-	-	-	-
9	Purchased power		-	-	-	-	-	-	-	-	-	-	-	-
10	Other operation and maintenance expense		-	-	-	-	-	-	-	-	-	-	-	-
11	Depreciation and amortization		-	-	-	-	-	-	-	-	-	-	-	-
12	General taxes		-	-	-	-	-	-	-	-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-	-	-	-	-	-	-	-
14	Income taxes	NC-2201	(7,883)	(2,610)	(1,013)	(220)	(4,831)	(4,839)	(4,327)	(2,378)	(2,410)	(2,444)	(2,580)	(5,303)
15	Amortization of investment tax credit		-	-	-	-	-	-	-	-	-	-	-	-
16														
17	Total electric operating expenses	Sum L8 through L15	(7,883)	(2,610)	(1,013)	(220)	(4,831)	(4,839)	(4,327)	(2,378)	(2,410)	(2,444)	(2,580)	(5,303)
18														
19	Operating income	L4 - L17	\$ 7,883	\$ 2,610	\$ 1,013	\$ 220	\$ 4,831	\$ 4,839	\$ 4,327	\$ 2,378	\$ 2,410	\$ 2,444	\$ 2,580	\$ 5,303
20														
21	Notes:													
22	Revenue: positive number increases revenue / negative number decreases revenue													
23	Expense: positive number increases expense / negative number decreases expense													
24														
25														
26	Pro Formas Impacting Rate Base Line Items													
27														
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization													
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-	-	-	-	-	-	-	-
31														
32	Add:													
33	Materials and supplies		-	-	-	-	-	-	-	-	-	-	-	-
34	Working capital investment		-	-	-	-	-	-	-	-	-	-	-	-
35			-	-	-	-	-	-	-	-	-	-	-	-
36														
37	Less:													
38	Accumulated deferred taxes		-	-	-	-	-	-	-	-	-	-	-	-
39	Operating reserves		-	-	-	-	-	-	-	-	-	-	-	-
40														
41														
42	Construction work in progress		-	-	-	-	-	-	-	-	-	-	-	-
43														
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45														
46	Note:													
47	Rate Base: positive number increases rate base / negative number decreases rate base													

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2201
Page 1 of 1
Second Settlement

Line No.	Description	Total Carolinas Col [a]	NC Retail Allocation Col [b]	Total NC Retail Col [c]
1				
2	Rate base before pro forma adjustments	\$ 21,361,527 [1]	68.1442% [2]	\$ 14,556,650 [1]
3				
4	Pro forma rate base	\$ 25,127,950 [3]		\$ 17,123,240 [7]
5				
6	Long-term debt ratio	48.0000% [4]		48.0000% [4]
7	Calculated long-term debt (L4 x L6)	\$ 12,061,416		\$ 8,219,155
8				
9	End of year cost of long-term debt	4.2700% [4]		4.2700% [4]
10	Annualized interest expense (L7 x L9)	\$ 515,022		\$ 350,958
11				
12	Incurred interest expense	465,481 [5]		317,199 [5]
13	Increase / <decrease> to interest costs (L10 - L12)	\$ 49,541		\$ 33,759
14				
15	Statutory tax rate	23.3503% [6]		23.3503% [6]
16	Impact to income taxes (-L13 x L15)	\$ (11,568)		\$ (7,883)
17				
18	Impact to operating income (-L16)	\$ 11,568		\$ 7,883

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

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

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

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

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

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

[7] McManeus Exhibit 1, Page 1, Line 12 Less Detail of Accounting Adjustments Page 3, line 23 Rate base

Duke Energy Carolinas, LLC

NC-2300

Docket No. E-7, Sub 1214

Narrative

Adjust cash working capital for present revenue annualized and proposed revenue Second Settlement
For the test period ended December 31, 2018

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

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

September Update

Recalculated based on September updated figures

October Update

Recalculated based on October updated figures

November Update

Recalculated based on November updated figures

December Update

Recalculated based on December updated figures

Updated NC-2303 Summary based on revised E&Y Lead Lag Study

Updated NC-2302 Lead Lag days based on revised E&Y study.

January Update

Recalculated based on January updated figures

January Rebuttal

NC 2301 and 2302 were set up in more detail like the Public Staff

Impacted by changes in other proformas

Supplemental Rebuttal

Recalculated based on updated figures as a result of the Settlement agreement

Second Settlement

Recalculated based on updated figures as a result of the Settlement agreement

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
Page 1 of 2
Second Settlement

Line No.	Description	NC Retail Financials			NC Retail Iteration 1			NC Retail Iteration 2		
		Adjusted with CWC	Revenue Increase	Adjusted w/Increase	With Increase	Wgt Lead		With Increase	Wgt Lead	
		(a)	(b)=(c)-(a)	(c)=(n)	(d)=(e)-(a)	Lag Days		(h)=(e)+(g)	Lag Days	
						(f)	(g)=(h)-(e)		(i)	
1	Total Adjusted Revenue	4,794,706 [1]				40.11 [1]			40.11 [1]	
2	Revenue Increase (L3)		414,431		410,599	39.58 [12]	3,815		39.58 [12]	
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	4,794,706	414,431	5,209,137	410,599	40.06 [13]	3,815	5,209,119	40.06 [13]	
4										
5	Total Adjusted Fuel Used in Electric Generation	1,161,536 [1]	0	1,161,536		22.33 [1]		1,161,536	22.33 [1]	
6	Adjusted Purchased Power	23,412 [1]	0	23,412		136.58 [1]		23,412	136.58 [1]	
7										
8	Operation & Maintenance Expense	1,163,856 [1]		0		33.73 [1]			33.73 [1]	
9	Revenue Increase (L10)		1,574		1,559	33.90 [12]	14		33.90 [12]	
10	Operation and Maintenace Expense with Increase (L8 + L9)	1,163,856	1,574	1,165,430	1,559 [5]	33.73 [13]	14 [5]	1,165,430	33.73 [13]	
11										
12	Total Adjusted Depreciation and Amortization	1,191,710 [1]	0	1,191,710		- [1]		1,191,710	- [1]	
13	Total Adjusted General Taxes	212,156		212,156		170.43		212,156	170.43	
14										
15	Total Adjusted Interest on Customer Deposits	7,130 [1]	0	7,130		218.39 [1]		7,130	218.39 [1]	
16										
17	Net Income Taxes	175,329		0		0.43		0	0.43	
18	Revenue Increase (L19)		96,190		95,512	0.48 [12]	675	675	0.48 [12]	
19	Income Taxes with Increase (L17 + L18)	175,329	96,190	271,519	95,512 [7]	0.28 [13]	675 [7]	271,516	0.28 [13]	
20										
21	Total EDIT Amortization	(29,734)	0	(29,734)		- [1]		(29,734)	- [1]	
22	Total Adjusted Amortization of Investment Tax Credit	(2,836) [1]	0	(2,836)		- [1]		(2,836)	- [1]	
23	Total Operating Expense (L5+L6+L10+L12+L13+L15+L19+L21+L22)	3,902,559	97,764	4,000,323	97,071	27 [14]	689	4,000,320	27 [14]	
24										
25	Income for Return (L3 - L23)	892,147	316,667	1,208,814	313,528	24.80 [14]	3,125	1,208,800 [8]	24.80 [14]	
26	Interest Expense	350,936 [1]	914	351,850	(0)	85.20 [1]	910	351,846 [9]	85.20 [1]	
27	Return for Equity (L25 - L26)	541,211	315,753	856,964	313,528	- [1]	2,216	856,954	- [1]	
28										
29	Total Requirement (L23 + L25 = L3)	4,794,706		5,209,137		26.15 [14]		5,209,119	26.15 [14]	
30	Rate Base [CWC Solved for Through Iterative Process]	17,122,166 [1]	44,582	17,166,748			44,383 [15]	17,166,549		
31										
32	Overall Rate of Return (L25 / L30)	5.21%		7.04%		7.04%		7.0416%		
33	Target Rate of Return	7.04% [2]		7.04% [2]		7.04% [2]		7.0416% [2]		
34										
35	Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase	Adjusted	Rev Incr	Adj w/Incr						
36	Annual Requirement (L3 and/or L29)	4,794,706		5,209,137		5,205,305		5,209,119.44		
37	Daily Requirement (L36 / 365 Days)	13,136		14,272		14,261		14,272		
	Net Lag Days (Column (c) only: L38 / L37)	11.72		13.91		13.91		13.91		
38	Est. CWC Req. Before Sales Tax Requirement (L37 x L)	153,990	44,582 [3]	198,572 [4]	44,383	198,373	198	198,571		
39	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]						
40	Total Cash Working Capital Requirements (L38 + L39)	160,194	44,582	204,776						

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)
[2] NC-2304-Inputs, Total ROR
[3] Ties to Line 30, Column (b)
[4] Sum of Line 38, Columns (a) + (d) + (g) + (j)
[5] Sum of (L19 + L25) x Reg Fee and Uncollectibles Rate: 0.37977%
[7] L27 / (1 - Tax Rate: 23.3503%) - L27
[8] Line 30 x Rate of Return: 7.0416%
[9] Line 30 x Debt Rate: 4.27% and Debt Ratio: 48%
[10] Column (e) = Column (a)
[11] Line 3, Column (f), (i), (l) - Line 29, Column (f), (i), (l)
[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag
[13] Calculation of Average Lead/Lag Day
[14] New weighted averages are calculated.
[15] Line 38, Columns (d), (g), (j)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

NC-2301
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Second Settlement

Line No.	Description	NC Retail Iteration 3			NC Retail Iteration 4		
		Increase (j)=(k)-(h)	With Increase (k)=(h)+(j)	Wgt Lead Lag Days (l)	Increase (m)=(n)-(k)	With Increase (n)=(k)+(m)	Wgt Lead Lag Days (o)
1	Total Adjusted Revenue			40.11 [1]			40.11 [1]
2	Revenue Increase (L3)	17		39.58 [12]	0		39.58 [12]
3	Revenues [Solved Through Iterative Process to Produce Target ROR] (L1 + L2)	17	5,209,136	40.06 [13]	0	5,209,137	40.06 [13]
4							
5	Total Adjusted Fuel Used in Electric Generation		1,161,536	22.33 [1]		1,161,536	22.33 [1]
6	Adjusted Purchased Power		23,412	136.58 [1]		23,412	136.58 [1]
7							
8	Operation & Maintenance Expense			33.73 [1]			33.73 [1]
9	Revenue Increase (L10)	0		33.90 [12]	0		33.90 [12]
10	Operation and Maintenance Expense with Increase (L8 + L9)	0 [5]	1,165,430	33.73 [13]	0 [5]	1,165,430	33.73 [13]
11							
12	Total Adjusted Depreciation and Amortization		1,191,710	- [1]		1,191,710	- [1]
13	Total Adjusted General Taxes		212,156	170.43		212,156	170.43
14							
15	Total Adjusted Interest on Customer Deposits		7,130	218.39 [1]		7,130	218.39 [1]
16							
17	Net Income Taxes		-	0.43		-	0.43
18	Revenue Increase (L19)	3	678	0.48 [12]	0	678	0.48 [12]
19	Income Taxes with Increase (L17 + L18)	3 [7]	271,519	0.28 [13]	0 [7]	271,519	0.28 [13]
20							
21	Total EDIT Amortization		(29,734)	- [1]		(29,734)	- [1]
22	Total Adjusted Amortization of Investment Tax Credit		(2,836)	- [1]		(2,836)	- [1]
23	Total Operating Expense (L5+L6+L10+L12+L13+L15+L19+L21+L22)	3	4,000,323	27 [14]	0	4,000,323	27 [14]
24							
25	Income for Return (L3 - L23)	14	1,208,814 [8]	24.80 [14]	0	1,208,814 [8]	24.80 [14]
26	Interest Expense	4	351,850 [9]	85.20 [1]	0	351,850 [9]	85.20 [1]
27	Return for Equity (L25 - L26)	10	856,964	- [1]	0	856,964	- [1]
28							
29	Total Requirement (L23 + L25 = L3)		5,209,136	26.15 [14]		5,209,137	26.15 [14]
30	Rate Base [CWC Solved for Through Iterative Process]	198 [15]	17,166,747		1 [15]	17,166,748	
31							
32	Overall Rate of Return (L25 / L30)		7.0416%			7.0416%	
33	Target Rate of Return		7.0416% [2]			7.0416% [2]	
34							
35	<u>Calculation of Change in Cash Working Capital (CWC) due to Revenue Increase</u>						
36	Annual Requirement (L3 and/or L29)		5,209,136				
37	Daily Requirement (L36 / 365 Days)		14,272				
	Net Lag Days (Column (c) only: L38 / L37)		13.91				
38	Est. CWC Req. Before Sales Tax Requirement (L37 x L)	1	198,572				
39	Add: Working Capital Related to NC Sales Tax						
40	Total Cash Working Capital Requirements (L38 + L39)						

[1] NC-2302-Adjustment to cash working capital for present revenue annualized, column (c), column (e), and column (h)
[2] NC-2304-Inputs, Total ROR
[3] Ties to Line 30, Column (b)
[4] Sum of Line 38, Columns (a) + (d) + (g) + (j)
[5] Sum of (L19 + L25) x Reg Fee and Uncollectibles Rate: 0.37977%
[7] L27 / (1 - Tax Rate: 23.3503%) - L27
[8] Line 30 x Rate of Return: 7.0416%
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[10] Column (e) = Column (a)
[11] Line 3, Column (f), (i), (l) - Line 29, Column (f), (i), (l)
[12] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag
[13] Calculation of Average Lead/Lag Day
[14] New weighted averages are calculated.
[15] Line 38, Columns (d), (g), (j)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

Cash Working Capital for Present Revenue

NC Retail										
Financials						Lead Lag Days				
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)	Working Capital Lead/Lag Study
1	Rate revenues	4,751,193 [1]		4,751,193		4,751,193	39.58 [1]		39.58	515,212
2	Sales for resale revenues	61,600		61,600		61,600	35.44		35.44	5,981
3	Forfeited discounts	15,256		15,256		15,256	70.00		70.00	2,926
4	Miscellaneous service revenues	9,541		9,541		9,541	76.00		76.00	1,987
5	Rent revenues - extra facilities - depreciation			0		0			0.00	-
6	Rent revenues - extra facilities - other	25,058		25,058		25,058	30.13		30.13	2,069
7	Rent revenues - pole & line attachments	27,655		27,655		27,655	143.39		143.39	10,864
8	Tower lease revenues	6,161		6,161		6,161	-93.97		(93.97)	(1,586)
9	Other electric rents	3,060		3,060		3,060	45.21		45.21	379
10	Return & depr - Catawba general plant	11,264		11,264		11,264	-15.21		(15.21)	(469)
11	Other misc revenues - CIAC & comp for svc	13,227		13,227		13,227	-15.21		(15.21)	(551)
12	Other misc revenues - timber sales	(2,737)		(3)		(3)			0.00	-
13	Profit or loss on sale of M&S	(1)		(1)		(1)			0.00	-
14	Deferred DSM costs - NC	(377)		(377)		(377)			0.00	-
15	Other revenue affiliate	8,729		8,729		8,729	40.21		40.21	962
16	Revenues from transm of electricity to others	5,032		5,032		5,032	40.41		40.41	557
17	Other electric revenues	3,639		3,639		3,639	36.03		36.03	359
18	Other electric revenues riders	(38,869)		(38,869)		(38,869)	0.00		0.00	-
19	Other transmission revenues	1,916		1,916		1,916	0.00		0.00	-
20	Rate Schedule Revenue Adjustments									
21	PF REV-Annualize retail revenues for current rates		(110,407) [3]	(110,407)		(110,407)		39.58 [2]	39.58	(11,972)
22	PF REV-Normalize for weather		(96,809) [3]	(96,809)		(96,809)		39.58 [2]	39.58	(10,498)
23	PF REV-Annualize revenues for customer growth		30,467 [3]	30,467		30,467		39.58 [2]	39.58	3,304
24	PF REV-Eliminate unbilled revenues		26,204 [3]	26,204		26,204		39.58 [2]	39.58	2,842
25	PF REV-Adjust for costs recovered through non-fuel riders		50,669 [3]	50,669		50,669		39.58 [2]	39.58	5,494
26	PF REV-Adjust Other Revenue		(9,502) [3]	(9,502)		(9,502)		39.58 [2]	39.58	(1,030)
27	Rounding - Revenue		0	0		0		39.58 [2]	39.58	0
28	Revenue - Adjustments (Sum Lines 21 through 27)	0	(109,378)	(109,378)		4,794,706				
29										
30	Total Adjusted Revenue (L1 + L28)	4,904,084	(109,378) [4]	4,794,706 [3]	0	4,794,706	40.09 [8]	0.01 [9]	40.11 [8]	\$ 526,828
31										
32	Operating Expenses:									
33	Fuel Used in Electric Generation	989,374 [2]		989,374		989,374	22.33 [2]		22.33	60,528
34	PF FUEL-Normalize for weather		(25,025) [3]	(25,025)		(25,025)		22.33 [2]	22.33	(1,531)
35	PF FUEL-Annualize revenues for customer growth		4,945 [3]	4,945		4,945		22.33 [2]	22.33	303
36	PF FUEL-Update fuel costs to proposed rate		209,105 [3]	209,105		209,105		22.33 [2]	22.33	12,793
37	PF FUEL-Adjust for costs recovered through non-fuel riders		(16,862) [3]	(16,862)		(16,862)		22.33 [2]	22.33	(1,032)
38	Rounding - Fuel		0	0		0		22.33 [2]	22.33	0
39	Fuel Used in Electric Generation - Adjustments (Sum Lines 34:38)	0	172,162	172,162		1,161,536				
40										
41	Total Adjusted Fuel Used in Electric Generation (L33 + L39)	989,374	172,162 [4]	1,161,536 [3]	0	1,161,536	22.33 [8]	0.00 [9]	22.33 [8]	\$ 71,061
42										
43	Purchased Power	331,394 [2]		331,394		331,394	39.00 [2]		39.00	35,409
44	Deferred Fuel	(137,046)		(137,046)		(137,046)	22.33		22.33	(8,384)
45	PF PURCH POWER-Update fuel costs to proposed rate		(169,854) [3]	(169,854)		(169,854)		39.00 [2]	39.00	(18,149)
46	PF PURCH POWER-Adjust for costs recovered through non-fuel riders		(1,082) [3]	(1,082)		(1,082)		39.00 [2]	39.00	(116)
47	Rounding - Purchased Power		0	0		0				
48	Purchased Power - Adjustments (Sum Lines 45 through 47)	0	(170,936)	(170,936)		23,412				
49										
50	Total Adjusted Purchased Power (L43 + L48)	194,348	(170,936) [4]	23,412 [3]	0	23,412	50.75 [8]	85.83 [9]	136.58 [8]	\$ 8,761
51										
52	Labor expense	571,027 [2]		571,027		571,027	Labor 36.37 [2]		36.37	56,899
53	Benefits expense	69,021		69,021		69,021	Pension & benefits 12.21		12.21	2,309
54	Regulatory commission expense	8,163		8,163		8,163	Reg Commiss. Exp 89.82		89.82	2,009
55	Property insurance	1,625		1,625		1,625	Prop Ins -474.55		(474.55)	(2,113)
56	Injuries and damages for corp	5,274		5,274		5,274	Injuries & Damages -145.50		(145.50)	(2,102)
57	Uncollectable accounts	12,692		12,692		12,692	Uncollectibles 0.00		0.00	-
58	Other O&M expense	708,137		708,137		708,137	Other O&M expense 36.49		36.49	70,794
59	PF O&M-Annualize retail revenues for current rates		(826) [3]	(826)		(826)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(77)
60	PF O&M-Normalize for weather		(368) [3]	(368)		(368)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(34)
61	PF O&M-Annualize revenues for customer growth		2,354 [3]	2,354		2,354	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	219
62	PF O&M-Update fuel costs to proposed rate		(21,892) [3]	(21,892)		(21,892)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(2,033)
63	PF O&M-Adjust for costs recovered through non-fuel riders		(117,372) [3]	(117,372)		(117,372)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(10,901)
64	PF O&M-Adjust for approved regulatory assets and liabilities		1,408 [3]	1,408		1,408	Amortization 0.00 [2]	0.00 [2]	0.00	-
65	PF O&M-Amortize Severance Costs		(47,462) [3]	(47,462)		(47,462)	Labor expense 36.37 [2]	36.37 [2]	36.37	(4,729)
66	PF O&M-Adjust for credit card fees		8,976 [3]	8,976		8,976	Other O&M expense 36.49 [2]	36.49 [2]	36.49	897
67	PF O&M-Annualize O&M non-labor expenses		4,594 [3]	4,594		4,594	Total O&M 30.71 [2]	30.71 [2]	30.71	387
68	PF O&M-Normalize O&M labor expenses		(28,128) [3]	(28,128)		(28,128)	Labor expense 36.37 [2]	36.37 [2]	36.37	(2,803)
69	PF O&M-Update benefits costs		(3,560) [3]	(3,560)		(3,560)	Benefits expense 12.00 [2]	12.00 [2]	12.00	(117)
70	PF O&M-Levelize nuclear refueling outage costs		(1,946) [3]	(1,946)		(1,946)	Other O&M expense 36.49 [2]	36.49 [2]	36.49	(195)
71	PF O&M-Amortize rate case costs		801 [3]	801		801	Amortization 0.00 [2]	0.00 [2]	0.00	-
72	PF O&M-Adjust aviation expenses		(2,304) [3]	(2,304)		(2,304)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(214)
73	PF O&M-Adjust for Meger Related Costs		(5,530) [3]	(5,530)		(5,530)	O&M Excl Fuel & PP 33.90 [2]	33.90 [2]	33.90	(514)
74	PF O&M-Adjust O&M for executive compensation		(3,539) [3]	(3,539)		(3,539)	Labor expense 36.37 [2]	36.37 [2]	36.37	(353)
75	PF O&M-Adjust vegetation management expenses		7,739 [3]	7,739		7,739	Other O&M expense 36.49 [2]	36.49 [2]	36.49	774

Duke Energy Carolinas, LLC
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For the test period ended December 31, 2018
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Cash Working Capital for Present Revenue

NC Retail										
Financials						Lead Lag Days				
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)	Working Capital Lead/Lag Study
76	PF O&M-Adjust Other Revenue		(36) [3]	(36)		(36)	O&M Excl Fuel & PP	33.90 [2]	33.90	(3)
77	PF O&M-Adjust for change in NCUC regulatory fee-DEC		(500) [3]	(500)		(500)	Regulatory Commission Expense	89.82 [2]	89.82	(123)
78	PF O&M-Adjust for Hydro Stations Sale		(1,560) [3]	(1,560)		(1,560)	O&M Excl Fuel & PP	33.90 [2]	33.90	(145)
79	PF O&M-Remove certain test year expenses-DEC		(271) [3]	(271)		(271)	O&M Excl Fuel & PP	33.90 [2]	33.90	(25)
80	PF O&M-Settlement adjustment to remove certain items		(4,272) [3]	(4,272)		(4,272)	O&M Excl Fuel & PP	33.90 [2]	33.90	(397)
81	PF O&M-Storm Normalization		1,610 [3]	1,610		1,610	O&M Excl Fuel & PP	33.90 [2]	33.90	150
82	Rounding - O&M		(0)	(0)		(0)	Total O&M	30.71 [2]	30.71	(0)
83	Operation & Maintenance Expense - Adjustments (Sum Lines 59:82)	0	(212,083)	(212,083)		1,163,856				
84										
85	Total Adjusted Operation & Maintenance Expense (L52 + L83)	1,375,939	(212,083) [4]	1,163,856 [3]	0	1,163,856	33.90 [8]	(0.17) [9]	33.73 [8]	\$ 107,560
86										
87	Depreciation and Amortization	838,805 [1]		838,805			0.00 [1]		0.00	-
88	PF D&A-Adjust for costs recovered through non-fuel riders		(3,045) [3]	(3,045)				0.00 [2]	0.00	-
89	PF D&A-Annualize depreciation on year end plant balances		59,052 [3]	59,052				0.00 [2]	0.00	-
90	PF D&A-Adjust Depreciation for new rates		72,915 [3]	72,915				0.00 [2]	0.00	-
91	PF D&A-Adjust for post test year additions to plant in service		75,055 [3]	75,055				0.00 [2]	0.00	-
92	PF D&A-Update fuel costs to proposed rate		0 [3]	0				0.00 [2]	0.00	-
93	PF D&A-Adjust reserve for end of life coal plant inventory		0 [3]	0				0.00 [2]	0.00	-
94	PF D&A-Adjust reserve for end of life nuclear costs		(1,808) [3]	(1,808)				0.00 [2]	0.00	-
95	PF D&A-Adjust for approved regulatory assets and liabilities		62,706 [3]	62,706				0.00 [2]	0.00	-
96	PF D&A-Amortize deferred environmental costs		87,100 [3]	87,100				0.00 [2]	0.00	-
97	PF D&A-Adjust for Meger Related Costs		(56) [3]	(56)				0.00 [2]	0.00	-
98	PF D&A-Update deferred balance and amortize storm costs		(409) [3]	(409)				0.00 [2]	0.00	-
99	PF D&A-Settlement adjustment to remove certain items		(413) [3]	(413)				0.00 [2]	0.00	-
100	PF D&A-Adjust for Hydro Stations Sale		1,809 [3]	1,809				0.00 [2]	0.00	-
101	Rounding - D&A		0	0				0.00 [2]	0.00	-
102	Depreciation and Amortization - Adjustments (Sum Lines 88 through 101)	0	352,905	352,905						
103										
104	Total Adjusted Depreciation and Amortization (L87 + L102)	838,804,844	352,905 [4]	1,191,710.23 [3]	0	1,191,710	0.00 [8]	0.00 [9]	0.00 [8]	\$ -
105										
106	Other taxes - NC property tax	80,657 [1]		80,657			Other taxes - NC prop	186.50 [1]	186.50	41,212
107	Other taxes - SC property tax	81,208		81,208			Other taxes - SC prop	196.50	196.50	43,719
108	Other taxes - federal payroll taxes	34,411		34,411			Other taxes - federal p	51.17	51.17	4,824
109	Other taxes	(1,594)		(1,594)			Other taxes	21.04	21.04	(92)
110	PF GEN TAX-Annualize property taxes on year end plant balances		7,470 [3]	7,470			Other taxes - NC property tax	186.50 [2]	186.50	3,817
111	PF GEN TAX-Adjust for post test year additions to plant in service		11,276 [3]	11,276			Other taxes - NC property tax	186.50 [2]	186.50	5,761
112	PF GEN TAX-Adjust for approved regulatory assets and liabilities		56 [3]	56			Taxes Other Than Income	168.11 [2]	168.11	26
113	PF GEN TAX-Normalize O&M labor expenses		(1,023) [3]	(1,023)			Other taxes - federal payroll taxes	51.17 [2]	51.17	(143)
114	PF GEN TAX-Adjust for costs recovered through non-fuel riders		(10) [3]	(10)			Taxes Other Than Income	168.11 [2]	168.11	(5)
115	PF GEN TAX-Adjust for Meger Related Costs		(73) [3]	(73)			Taxes Other Than Income	168.11 [2]	168.11	(34)
116	PF GEN TAX-Adjust aviation expenses		(27) [3]	(27)			Taxes Other Than Income	168.11 [2]	168.11	(13)
117	PF GEN TAX-Adjust for Hydro Stations Sale		(193) [3]	(193)			Other taxes	21.04 [2]	21.04	(11)
118	Rounding - General Taxes		(0)	(0)			Taxes Other Than Income	168.11 [2]	168.11	(0)
119	General Taxes - Adjustments (Sum Lines 110 through 118)	0	17,475	17,475						
120										
121	Total Adjusted General Tax (L106 + L119)	194,681	17,475 [4]	212,156 [3]	0	212,156	168.11 [8]	2.32 [9]	170.43 [8]	\$ 99,062
122										
123	Interest on Customer Deposits	7,130 [1]		7,130			218.40 [1]		218.40	4,266
124	Interest on Customer Deposits - Adjustments			0						
125										
126	Total Adjusted Interest on Customer Deposits (L123 + L124)	7,130	0 [4]	7,130 [3]	0	7,130	218.40 [8]	(0.01) [9]	218.39 [8]	\$ 4,266
127										
128	Current state and federal income tax	2,397 [1]		2,397			44.75 [1]		44.75	294
129	Deferred income taxes	222,600		222,600			0.00		0.00	-
130	PF INC TAX-Adjust Income Taxes		(55,846) [3]	(55,846)				0.48 [2]	0.48	(73)
131	PF INC TAX-Adjust for costs recovered through non-fuel riders		16,763 [3]	16,763				0.00 [2]	0.00	-
132	PF INC TAX-Adjust NC income taxes for rate change		(2,707) [3]	(2,707)				0.48 [2]	0.48	(4)
133	PF INC TAX-Synchronize interest expense with end of period rate base		(7,883) [3]	(7,883)				0.48 [2]	0.48	(10)
134	Rounding - Income Taxes		(0)	(0)				0.48 [2]	0.48	(0)
135	Income Taxes - Adjustments (Sum Lines 130 through 134)	0	(49,673)	(49,673)						
136										
137	Total Adjusted Income Taxes (L128 + L135)	224,997	(49,673) [4]	175,324 [3]	5 [6]	175,329	0.48 [8]	(0.05) [9]	0.43 [8]	\$ 207
138										
139	EDIT Amortization									
140	PF EDIT-Amortize Protected EDIT		(29,734) [3]	(29,734)				0.00 [2]	0.00	-
141	Rounding - EDIT Amort		(0)	(0)				0.00 [2]	0.00	-
142	EDIT Amortization - Adjustments (Sum Lines 143:144)	0	(29,734)	(29,734)						
143										
144	Total Adjusted EDIT Amortization (L139 + L142)	0	(29,734) [4]	(29,734) [3]	0	(29,734)	0.00 [8]	0.00 [9]	0.00 [8]	\$ -
145										
146	Amortization of Investment Tax Credit	(3,526) [1]		(3,526)			0.00 [1]		0.00	-
147	PF ITC-Annualize depreciation on year end plant balances		690 [3]	690				0.00 [2]	0.00	-
148	Rounding - ITC		(0)	(0)				0.00 [2]	0.00	-
149	Amort. of Investment Tax Credit - Adjustments (Sum Lines 143:144)	0	690	690						
150										

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018
Dollars in Thousands

Cash Working Capital for Present Revenue

		Financials					NC Retail					Lead Lag Days				
Line No.	Description	Per Books (a)	Adjustments (b)	Adjusted Before Change in CWC (c)=(a)+(b)	Change in CWC (d)	Adjusted with CWC (e)=(c)+(d)	Per Books (f)	Adjustments (g)	Adjusted Before Increase (h)=(f)+(g)	Working Capital Lead/Lag Study						
147	Total Adjusted Amortization of Investment Tax Credit (L142 + L145)	(3,526)	690 [4]	(2,836) [3]	0	(2,836)	0.00 [8]	0.00 [9]	0.00 [8]	\$ -						
148																
149	Total Operating Expense (L41+L50+L85+L104+L121+L126+L137+L147)	3,821,748	80,806	3,902,554	5	3,902,559	29.57 [8]	(2.36) [9]	27.21 [8]	\$ 290,916						
150																
151	Income for Return (L30 - L149)	1,082,336	(190,184)	892,152	(5)	892,147	24.97 [8]	8.55 [9]	33.52 [8]	235,912						
152	Interest Expense	317,199 [2]	33,759 [4]	350,958 [5]	(22) [5]	350,936	85.20 [2]	0.00 [9]	85.20 [2]	81,917						
153	Return for Equity (L151 - L152)	765,137	(223,943)	541,194	17	541,211	0.00 [2]	0.00 [9]	0.00 [2]	153,995						
154																
155	Total Requirement (L149 + L151 = L30)	4,904,084		4,794,706		4,794,706	28.55 [8]	(0.17) [9]	28.38 [8]	526,828						
156																
157	RATE BASE	14,556,650 [3]	2,566,590 [4]	17,123,240 [3]	(1,074) [7]	17,122,166										
158																
159																
160																
161	Calculation of Change in Cash Working Capital (CWC) due to Adjustments	Per Books	Change in CWC	Adjusted												
162	Annual Requirement	4,904,084		4,794,706												
163	Daily Requirement (L140 / 365 Days)	13,436		13,136												
164	Net Lag Days (L138, Rounded Per Books)	11.54		11.72												
165	Est. CWC Req. Before Sales Tax Requirement (L141 x L142)	155,064		153,990												
166	Add: Working Capital Related to NC Sales Tax	6,204 [1]		6,204 [1]												
167																
168	Total Cash Working Capital Requirements (L165 + L166)	161,268	(1,074) [4]	160,194												
169																
170	Revenue Lag Days (Per Line 47, Columns (f) & (h))	40.09		40.1051												
171	Requirement Lead Days (Per Line 160, Columns (f) & (h))	28.55		28.3825												
172																
173	Net Lag Days (L170 - L171)	11.54		11.72												

Notes:

- [1] Columns (a) and (f) match Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Summary
[2] Docket No. E-7, Sub 1214, E-1 Item 14, Lead Lag Study
[3] Exhibit C in Docket E-7, Sub 1214
[4] Column (b) = Column (c) - Column (a)
[5] Line 157 x Debt Rate: 4.27% and Debt Ratio: 48%
[6] Interest Expense: - L152 x Tax Rate: 23.3503%
[7] Line 168, Column (b)
[8] New weighted averages calculated.
[9] Column (g) = Column (h) - Column (f)

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

NC-2303
Page 1 of 1
Second Settlement

E-1 Item 14

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

Line No	Description	Actual Annual Expense [A]	Lead (Lag) Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag		40.09	
2				
3	Operation & Maintenance Expense	\$ 2,559,661	30.71	\$ 78,598,072
4	Depreciation and Amortization	838,805	0.000	-
5	Taxes Other Than Income Taxes	194,681	168.11	32,727,032
6	Interest on Customer Deposits	7,130	218.40	1,557,121
7	Net Income Taxes	224,997	0.48	107,266
8	ITC	(3,526)	0.00	-
9	Income for Return	1,082,336	24.97	27,025,317
10	Total Requirements (Sum L3 through L9)	<u>\$ 4,904,084</u>	28.55	<u>\$ 140,014,807</u>
11				
12	Revenue Lag Days (L1)		40.09	
13	Requirements Lead Days (-L10)		-28.55	
14	Net Lag Days (L12 + L13)		<u>11.54</u>	
15	Daily Requirements (Line 10, Col. A divided by 365)			\$ 13,436
16				
17	Estimated Cash Working Capital Requirements (L14 x L15)			\$ 155,064
18	Add: Cash Working Capital Related to NC Sales Tax			6,204
19	Total Cash Working Capital Requirements (L17 + L18)			<u>\$ 161,268</u>
20				
21	Calculation of Total Company and Jurisdictional Amounts:			
22	NC Retail Factor "All - Rate Base x CWC" Allocation Factor			68.1442%
23				
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 236,657
25				
26	NC Retail Factor			68.1442%
27	SC Retail Factor			23.4945%
28	NC Wholesale Factor			4.6385%
29	SC Wholesale Factor			3.6759%
30	Other			0.0469%
31	Total (Sum L26 through L29)			<u>100.0000%</u>
32				
33	NC Retail Cash Working Capital Requirement (L24 x L26)			\$ 161,267.787
34	SC Retail Cash Working Capital Requirement (L24 x L27)			55,601.207
35	NC Wholesale Cash Working Capital Requirement (L24 x L28)			10,977.210
36	SC Wholesale Cash Working Capital Requirement (L24 x L29)			8,699.225
37	Other Cash Working Capital Requirement (L25 x L30)			111.093
38	Total Company Cash Working Capital Requirement (Sum L33 through L37)			<u>\$ 236,656.522</u>

Duke Energy Carolinas, LLC

NC-2304

Docket No. E-7, Sub 1214

Page 1 of 1

Adjust cash working capital for present revenue annualized and proposed revenue

Second Settlement

For the test period ended December 31, 2018

Line

<u>No</u>	<u>Description</u>	<u>Rate</u>	<u>Ratio</u>	<u>Weighted</u>
1	Debt	4.2700% [1]	48.0000% [1]	2.0496% [2]
2	Equity	9.6000% [1]	52.0000% [1]	4.9920% [3]
3	Total ROR (L1 + L2)			7.0416%
4				
5	Statutory tax rate	23.3503% [4]		
6	Statutory regulatory fee percentage rate	0.12967% [5]		
7	Uncollectibles	0.25010% [6]		

Notes:

[1] Docket No. E-7, Sub 1214, McManeus Exhibit 1, Page 2

[2] Debt Rate x Debt Ratio

[3] ROE x Equity Ratio

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

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

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

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018

NC-3600
Narrative
Second Settlement

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

Supplemental Rebuttal Update

Adjustment to remove certain expenses agreed to in the partial settlement and stipulation.

Second Settlement

Added adjustment to remove a portion of the Clemson CHP per the settlement agreement.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3600
Page 1 of 1
Second Settlement

Line No.	Description	Source	Total NC Retail Second Settlement	Total NC Retail Supplemental Rebuttal	Total NC Retail Change
1					
2	<u>Pro Formas Impacting Income Statement Line Items</u>				
3					
4	Electric operating revenue				\$ -
5					
6	Electric operating expenses:				
7	Operation and maintenance				
8	Fuel used in electric generation		-	-	-
9	Purchased power		-	-	-
10	Other operation and maintenance expense		(4,272)	(4,272)	-
11	Depreciation and amortization		(413)	-	(413)
12	General taxes		-	-	-
13	Interest on customer deposits		-	-	-
14	Income taxes		1,094	997	97
15	Amortization of investment tax credit		-	-	-
16					
17	Total electric operating expenses	Sum L8 through L15	(3,591)	(3,274)	(317)
18					
19	Operating income	L4 - L17	\$ 3,591	\$ 3,274	\$ 317
20					
21	Notes:				
22	Revenue: positive number increases revenue / negative number decreases revenue				
23	Expense: positive number increases expense / negative number decreases expense				
24					
25					
26	<u>Pro Formas Impacting Rate Base Line Items</u>				
27					
28	Electric plant in service		\$ (12,880)	\$ -	\$ (12,880)
29	Accumulated depreciation and amortization		413		413
30	Electric plant in service, net	Sum L28 through L29	(12,467)	-	(12,467)
31					
32	Add:				
33	Materials and supplies		-	-	-
34	Working capital investment		-	-	-
35			-	-	-
36					
37	Less:				
38	Accumulated deferred taxes		-	-	-
39	Operating reserves		-	-	-
40					
41					
42	Construction work in progress		-	-	-
43					
44	Total impact to rate base	Sum L30 through L42	\$ (12,467)	\$ -	\$ (12,467)
45					
46	Note:				
47	Rate Base: positive number increases rate base / negative number decreases rate base				

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3601
Page 1 of 1
Second Settlement

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Impact to Income Statement Line Items:</u>			
2	Remove O&M related to Sponsorships	\$ (136) [1]	67.4345% [1]	\$ (92)
3	Remove O&M related to Lobbying	(3,352) [2]	67.7195% [2]	(2,270)
4	Remove O&M related to BOD	(2,832) [3]	67.4345% [3]	(1,910)
5	Impact to other operation and maintenance expense (Sum L2 through L4)	<u>\$ (6,320)</u>		<u>\$ (4,272)</u>
6				
7	Remove Clemson CHP annual depreciation - Other Production	\$ (613)	67.4345%	\$ (413)
8	Remove Clemson CHP annual depreciation - Transmission	-	52.6634%	-
9	Impact to Depreciation and Amortization (L7 + L8)	<u>\$ (613)</u>		<u>\$ (413)</u>
10				
11	Taxable income (-L5 - L9)	\$ 6,933		\$ 4,685
12	Statutory tax rate	23.3503% [4]		23.3503% [4]
13	Impact to income taxes (L11 x L12)	<u>\$ 1,619</u>		<u>\$ 1,094</u>
14				
15	Impact to operating income (L11 - L13)	<u>\$ 5,314</u>		<u>\$ 3,591</u>
16				
17	<u>Rate Base investment:</u>			
18	Remove Clemson CHP Plant in Service - Other Production	\$ (19,100)	67.4345%	\$ (12,880)
19	Remove Clemson CHP Plant in Service - Transmission	-	52.6634%	-
20	Remove Total Clemson CHP Electric Plant in Service (L18 + L19)	<u>\$ (19,100)</u>		<u>\$ (12,880)</u>
21				
22	Remove Clemson CHP Accumulated Depreciation - Other Production	\$ 613	67.4345%	\$ 413
23	Remove Clemson CHP Accumulated Depreciation - Transmission	-	52.6634%	-
24	Remove Total Clemson CHP Electric Accumulated Depreciation (L22 + L23)	<u>\$ 613</u>		<u>\$ 413</u>
25				
26	Impact to rate base (L20 + L24)	<u>\$ (18,487)</u>		<u>\$ (12,467)</u>

[1] NC-3602 - Settlement adjustment to remove certain Sponsorships cost

[2] NC-3603 - Settlement adjustment to remove amounts defined by PS as Lobbying

[3] NC-3604 - Settlement adjustment to remove certain BOD expenses

[4] NC-0104 - 2018 Calculation of Tax Rates - Statutory Tax Rate, Line 10

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

NC-3602
Page 1 of 1
Second Settlement

Settlement adjustment to remove certain Sponsorships cost

Line No	Item	Amount
1	Remove sponsorships and donations related to chambers of commerce	\$ (136)
2	NC retail percentage	67.43%
3	NC Retail Adjustment to Other O&M	\$ (92)
4		
5	Taxable income (-L3)	\$ 92
6	Statutory tax rate	23.3503%
7	Impact to income taxes (L13 x L14)	\$ 21.47

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

NC-3603
Page 1 of 1
Second Settlement

Settlement adjustment to remove amounts defined by PS as Lobbying

Line No.	Item	Amount
1	Remove Stakeholder Engagement O&M charges related to lobbying	(\$1,750) 1/
2	Remove State Government Affairs O&M charges related to lobbying	(97) 1/
3	Remove Federal Affairs O&M charges related to lobbying	(1,505) 1/
4	Total lobbying costs to be removed from O&M expense (L1 + L2 + L3)	<u>(3,352)</u>
5		
6	NC retail percentage	<u>67.7195% 2/</u>
7	Public Staff adjustment to remove lobbying expense (L4 x L5)	<u>(\$2,270)</u>
8		
9	Taxable income (-L3)	\$ 2,270
10	Statutory tax rate	<u>23.3503%</u>
11	Impact to income taxes (L13 x L14)	<u>\$ 530.05</u>

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

2/ Labor allocation factor.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

NC-3604
Page 1 of 1
Second Settlement

Settlement adjustment to remove certain BOD expenses

Line No.	Item	Amount
1	Total Board of Directors (BOD) cash compensation	\$ 645 1/
2	Percentage of exclusion per Settlement	50% 2/
3	Adjustment to BOD compensation (-L1 x L2)	\$ (323)
4	BOD insurance charged to DEC	\$ 4,659 3/
5	Percentage of exclusion per Settlement	50% 2/
6	Adjustment to BOD insurance (-L4 x L5)	\$ (2,330)
7	BOD and executive members expenses allocated to DEC	\$ 357 4/
8	Percentage of exclusion per Settlement	50% 2/
9	Adjustment to BOD and executive members expenses (-L7 x L8)	\$ (179)
10	Total adjustment to BOD compensation and expenses (L3 + L6 + L9)	\$ (2,832)
11	NC retail percentage	67.4345% 5/
12	Adjustment to BOD expenses - NC retail (L10 x L11)	\$ (1,910)
13	Taxable income (-L3)	\$ 1,910
14	Statutory tax rate	23.35%
15	Impact to income taxes (L13 x L14)	\$ 446

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, Sub 1214
Adjustment to EDIT in Rate Base per Second Partial Settlement
For the test period ended December 31, 2018

NC-3800
Narrative
Second Settlement

E-1 Item 10 Adjustments Requirement

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

Detailed Narrative Explanation of Adjustment

Supplemental Rebuttal

As agreed with in settlement, this pro forma reflects an adjustment to rate base based on Public Staff leveled EDIT rider methodology.

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjustment to EDIT in Rate Base per Second Partial Settlement
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3800
Page 1 of 1
Second Settlement

Line No.	Description	Source	Total NC Retail Second Settlement
1			
2	<u>Pro Formas Impacting Income Statement Line Items</u>		
3			
4	Electric operating revenue		
5			
6	Electric operating expenses:		
7	Operation and maintenance		
8	Fuel used in electric generation		-
9	Purchased power		-
10	Other operation and maintenance expense		-
11	Depreciation and amortization		
12	General taxes		-
13	Interest on customer deposits		-
14	Income taxes		
15	EDIT Amortization		
16	Amortization of investment tax credit		-
17			
18	Total electric operating expenses	Sum L8 through L15	-
19			
20	Operating income	L4 - L17	<u>\$ -</u>
21			
22	Notes:		
23	Revenue: positive number increases revenue / negative number decreases revenue		
24	Expense: positive number increases expense / negative number decreases expense		
25			
26			
27	<u>Pro Formas Impacting Rate Base Line Items</u>		
28			
29	Electric plant in service		\$ -
30	Accumulated depreciation and amortization		
31	Electric plant in service, net	Sum L28 through L29	-
32			
33	Add:		
34	Materials and supplies		-
35	Working capital investment		
36			
37			
38	Less:		
39	Accumulated deferred taxes		1,183,610
40	Operating reserves		-
41			
42			
43	Construction work in progress		-
44			
45	Total impact to rate base	Sum L30 through L42	<u>\$ 1,183,610</u>
46			
47	Note:		
48	Rate Base: positive number increases rate base / negative number decreases rate base		

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Adjustment to EDIT in Rate Base per Second Partial Settlement
For the test period ended December 31, 2018

NC-3801
Page 1 of 1
Second Settlement

<u>No.</u>	<u>Description</u>	<u>Amount</u>
1	<u>Impact to Rate Base</u>	
2	Adjustment to EDIT Rate Base per settlement	1,183,610 [1]

[1] Boswell Supplemental and Stipulation Exhibit 1, Schedule 2-1, line 11, sum of columns (b), (o), (p) and (q).

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214
Summary of Proposed Revenue Adjustments
For the test period ended December 31, 2018

McManeus Second Settlement
Exhibit 2

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>NC Retail</u>
1		
2	Revenue Requirement from Exhibit 1	\$ 414,433
3	EDIT Rider	(310,779)
4	Total Requested Increase	<u>\$ 103,654</u>

DUKE ENERGY CAROLINAS, LLC
Revenue Requirement
Docket E7 Sub 1214
(Thousands of Dollars)

McManeus Second Settlement
Exhibit 3

Line No.	Item	Amount
1	Revenue requirement increase per Company Supplemental Filing	\$464,585
2	Revenue Requirement impact of Rebuttal	101
3	Revenue Impact of Supplemental Rebuttal including Settlement	(97,052)
4	Revenue impact of supplemental updates through May	\$48,390
5	Revenue impact of supplemental updates through May 9.75 48/52	(\$75,426)
6	Revenue requirement increase per Company Second Supplemental filing	\$340,598
7		
8	Settlement Adjustments	
9	Ex 1 Adjust ROE from 9.75% to 9.6%	(16,325)
10	Ex 1 Adjust Debt Rate to 4.27	(2,009)
11	Ex 1 Adjust Capital Structure 48/52 Debt/Equity	-
12	NC0400 Adjust Customer Growth and Usage	(2,869)
13	NC0700 Adjust O&M for executive compensation	(16)
14	NC1100 Adjust Non ARO Coal Ash Amortization to 8 years	(6,386)
15	NC1200 Adjust Non Labor O&M (Inflation adjustment)	22
16	NC2200 Adjust synchronized interest expense	(6,905)
17	NC2300 Adjust cash working capital under present rates	55
18	NC2300 Adjust cash working capital under proposed rates	683
19	NC3600 Remove portion of Clemson CHP	(1,565)
20	NC3800 Adjust Rate base for EDIT per Boswell Exhibit	109,149
21	Total Revenue impacts from Adjustments	\$ 73,834
22		
23	Revenue Requirement	\$ 414,432

DUKE ENERGY CAROLINAS, LLC
Docket No. E-7, Subs 1214
North Carolina Retail Operations
McManeus Second Settlement Exhibit 4

CALCULATION OF LEVELIZED FEDERAL PROVISIONAL EDIT RIDER CREDIT

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

Line No.	Item	Year 1 Revenue Requirement (a)	Year 2 Revenue Requirement (b)	Year 3 Revenue Requirement (b)	Year 4 Revenue Requirement (b)	Year 5 Revenue Requirement (b)	Total Revenue Requirement (c)
1	Annual EDIT used to offset interim rates	(238,200) ^{5/}					
2	Monthly EDIT used to offset interim rates	(19,850)					
3	Estimated number of months of interim rates to compliance rates per NCUC Order	4.3 ^{5/}					
4	EDIT used to offset interim rates	(85,803)					
5	Return component	(27,982)					
6	Amortization component	(57,822)					
7	Preliminary NC retail Unprotected Federal EDIT regulatory liability	(1,028,165) ^{1/}					
8	Estimated transition of Protected to Unprotected Regulatory liability 8/1/2020-8/21/2020	(1,679)					
9	Reduction for amount flowed back during Interim Rate period (L6)	(57,822)					
10	Total NC retail Unprotected Federal EDIT regulatory liability to be amortized (L7 + L8 - L9)	(972,022)	(972,022) ^{1/}	(972,022) ^{1/}	(972,022) ^{1/}	(972,022) ^{1/}	
11	Annuity factor	4.2847 ^{2/}	4.2847 ^{2/}	4.2847 ^{2/}	4.2847 ^{2/}	4.2847 ^{2/}	
12	Levelized rider EDIT regulatory liability (L10 / L11)	(226,859)	(226,859)	(226,859)	(226,859)	(226,859)	(\$1,134,295)
13	One minus composite income tax rate	76.6498% ^{3/}	76.6498% ^{3/}	76.6498% ^{3/}	76.6498% ^{3/}	76.6498% ^{3/}	76.6498%
14	Net operating income effect (L12 x L13)	(173,887)	(173,887)	(173,887)	(173,887)	(173,887)	(869,435)
15	Retention factor	0.763589 ^{4/}	0.763589 ^{4/}	0.763589 ^{4/}	0.763589 ^{4/}	0.763589 ^{4/}	0.763589
16	Levelized rider EDIT credit (L14 / L15)	(\$227,723)	(\$227,723)	(\$227,723)	(\$227,723)	(\$227,723)	(\$1,138,615)
17	Total NC retail NC State EDIT and Deferred Revenue regulatory liability to be amortized	\$ (155,445) ^{1/}	(\$155,445) ^{1/}				
18	Annuity factor	1.8787 ^{2/}	1.8787 ^{2/}				
19	Levelized rider EDIT regulatory liability (L17 / L18)	(82,741)	(82,741)				(\$165,482)
20	One minus composite income tax rate	76.6498% ^{3/}	76.6498% ^{3/}				76.6498%
21	Net operating income effect (L19 x L20)	(63,421)	(63,421)				(\$126,842)
22	Retention factor	0.763589 ^{4/}	0.763589 ^{4/}				0.763589
23	Levelized rider EDIT credit (L21 / L22)	(\$83,056)	(\$83,056)				(\$166,113)

- 1/ Boswell Supplemental and Stipulation Exhibit 1, Sch 2-1, Line 15. Federal EDIT amounts from col. (o) + (p), NC EDIT and Deferred Revenue balances are from col. (b) + (q)
- 2/ Calculation of Levelized Factors, Line 6.
- 3/ One minus composite income tax rate of 23.3503%.
- 4/ Boswell Supplemental and Stipulation Exhibit 1, Schedule 1-2, Line 14, Column (d).
- 5/ Will be trued up with actual months of interim rates and approved offset amount if different in compliance filing

Duke Energy Carolinas, LLC
Docket No. E-7, Sub 1214 FOR THE TEST PERIOD ENDED December 31, 2018
NORTH CAROLINA RETAIL
McManeus Second Settlement Exhibit 4
Calculation of Levelized Factors

Line No.	Item	Amount	Amount		
<u>Annuity Factor</u>					
1	Number of years	5 1/	2 2/		
2	Payment per period	1	1		
3	After tax rate of return (L9)	6.563%	6.563%		
4	Present value of 1 dollar over number of years with with 1 payment per year	4.1486	1.8190		
5	1 plus (interest rate divided by two)	1.0328	1.0328		
6	Annuity factor (L4 x L5)	4.2847	1.8787		
		Capital Structure	Cost Rates	Overall Rate of Return 4/	Net of Tax Rate
		(a)	(b)	(c)	(d)
<u>After Tax Rate of Return</u>					
7	Long-term debt	48.00% 3/	4.270% 3/	2.050%	1.571% 5/
8	Common equity	52.00% 3/	9.600% 3/	4.992%	4.992% 6/
9	Total	100.00%		7.042%	6.563%
10	Statutory Tax Rate				23.35%
1/	Unprotected EDIT amortization period as per settlement.				
2/	NC EDIT and Deferred Revenue amortization period per settlement				
3/	McManeus Second Settlement Exhibit, Schedule 2				
4/	Column (a) times Column (b).				
5/	Column (c) times (1 minus combined income tax rate of 23.3503%).				
6/	Amount from Column (c).				