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September 8, 2020

**VIA ELECTRONIC FILING**

Ms. Kimberley A. Campbell, Chief Clerk  
North Carolina Utilities Commission  
Dobbs Building  
430 North Salisbury Street  
Raleigh, North Carolina 27603

*Re: DEC and DEP's Late-Filed Exhibit No. 5  
Docket No. E-7, Sub 1214  
Docket No. E-2, Sub 1219*

Dear Ms. Campbell:

Per the request of Commissioner Hughes on August 31, 2020, during the consolidated phase of the evidentiary hearing, enclosed for filing on behalf of Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, the "Companies") in the above-referenced proceedings is Late-Filed Exhibit No. 5. Late-Filed Exhibit No. 5 relates to the Grid Improvement Plan ("GIP") and the GIP revenue requirement.

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

Very truly yours,

/s/Mary Lynne Grigg

MLG:sjg

Enclosure

**Late-Filed Exhibit No. 5**  
**Docket No. E-2, Sub 1219**  
**Docket No. E-7, Sub 1214**

**Request:**

Please identify the savings that the Company expects from the GIP programs agreed to in the deferral with the Public Staff. What is the revenue requirement impact?

**Response:**

The revenue requirement calculations included in GIP Exhibit 3 – Deferral Granted (Settlement) to the Joint Testimony of Jay W. Oliver and Jane L McManeus in Compliance with Commission Order Requesting GIP Information, and in the Joint Testimony of Jay W. Oliver and Kim H. Smith in Compliance with Commission Order Requesting GIP Information, were limited to the completed electric plant and associated installation O&M for the 3-year GIP plan (Jun 2020-Dec 2022) and, as noted in the assumptions on Page 4, did not include any of the ongoing expenses or savings.

See Attachments “Late-Filed Exhibit 5 Expense and Savings DEC” and “Late-Filed Exhibit 5 Expense and Savings DEP” for the expected GIP ongoing expenses and savings and the associated revenue requirement impacts for the same 10-year timeframe and using the same assumptions as outlined in the GIP Exhibit 3 – Deferral Granted (Settlement). The ongoing expenses and savings are associated with the IVVC (DEC), DSDR to CVR (DEP), and SOG programs. These three programs account for \$939 million of the approximately \$1.3 billion (Combined DEC and DEP) agreed upon for GIP Deferral in the Second Settlement and Partial Stipulation the Companies entered into with the Public Staff and filed with the Commission on July 31, 2020. The other programs in the agreement fall into the modernize and protect categories of the GIP framework and as such did not include a CBA.

As noted in Oliver’s exhibits, the amounts included on the cost benefit analysis are based on a budget allocation methodology which differs from a North Carolina Retail revenue requirement allocation. In order to estimate the NC Retail amounts, we grossed the NC budget amounts up to an estimated system amount. Then using a net plant and total O&M Cost of Service allocation factor, we estimated the NC Retail impact of these costs and benefits.

The attached analysis on revenue requirement impacts include the fuel cost savings which will flow directly to customers through the fuel clause. This analysis does not include the reliability benefits that flow directly to the customer in the form of reduced outages that were monetized in the Cost Benefit Analysis (“CBA”) using the ICE tool. The Net Present Value of the reliability benefit over the life of the CBA evaluation period represents 63%

(DEC) and 78% (DEP) of the combined benefits from the three programs that were quantified. Additionally, as noted in testimony the programs in the GIP are designed to address the megatrends identified in witness Jay W. Oliver's testimony.

				2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Capital Impacts</b>													
IVVC	Costs	Capital	On-going C Transmission	-	-	-	-	-	-	-	1,736	4,534	4,916
IVVC	Costs	Capital	On-going C Distribution	-	-	-	-	-	-	-	1,005	2,975	2,930
IVVC	Costs	Capital	On-going C Telecom	-	-	-	-	58	168	162	0	-	-
IVVC	Costs	Capital	On-going C IT	-	-	-	-	-	-	-	170	410	399
IVVC	Costs	Capital	On-going C PM/AFUDC	-	-	-	-	-	-	-	-	-	-
IVVC	Costs	Capital	On-going C Ongoing	-	-	-	-	1,421	4,207	4,144	3,320	-	-
<b>Total On-going Capital Costs</b>				-	-	-	-	1,479	4,376	4,305	6,231	7,920	8,245
IVVC	Benefits	Capital	Operation: Improved VAR Mgmt	(4,392)	(4,929)	(5,133)	(5,321)	(5,582)	(5,788)	(6,227)	(6,602)	(6,937)	(7,439)
IVVC	Benefits	Capital	Operation: Avoided Capacity Costs	(6,576)	(6,660)	(6,745)	(6,830)	(6,917)	(7,005)	(7,094)	(7,184)	(7,275)	(7,367)
SOG	Benefits	Capital	Peak Shavi Capacity Savings	(1,514)	(1,542)	(1,577)	(1,627)	(1,668)	(1,767)	(1,866)	(1,947)	(2,113)	(2,227)
SOG	Benefits	Capital	DER/PV En Capacity Savings	-	-	-	(58)	(202)	(364)	(542)	(731)	(972)	(1,212)
<b>Total On-going Capital Savings</b>				(12,482)	(13,132)	(13,454)	(13,836)	(14,369)	(14,923)	(15,729)	(16,464)	(17,297)	(18,246)
<b>Total Net Capital</b>				(12,482)	(13,132)	(13,454)	(13,836)	(12,890)	(10,548)	(11,424)	(10,233)	(9,377)	(10,001)
<b>Total Cumulative Capital</b>				(12,482)	(25,613)	(39,067)	(52,904)	(65,793)	(76,341)	(87,765)	(97,998)	(107,375)	(117,376)
<b>Accumulated Depreciation</b>				197	797	1,815	3,264	5,133	7,372	9,957	12,882	16,117	19,657
<b>Total Net Plant</b>				(12,285)	(24,817)	(37,252)	(49,640)	(60,660)	(68,969)	(77,808)	(85,115)	(91,258)	(97,719)
<b>Capital Revenue Requirement</b>				(1,056)	(2,133)	(3,202)	(4,267)	(5,214)	(5,928)	(6,688)	(7,316)	(7,844)	(8,399)
<b>Income Statement Impacts</b>													
IVVC	Costs	O&M	On-going C Transmission	-	568	583	597	612	627	643	659	676	693
IVVC/SOG	Costs	O&M	On-going C Distribution	13	1,258	1,386	1,523	1,903	1,943	1,423	1,459	1,495	1,648
IVVC/SOG	Costs	O&M	On-going C IT/Telecom	1,414	1,640	1,786	1,934	2,081	2,230	2,346	2,427	2,427	2,427
IVVC	Costs	O&M	On-going C Ongoing Support (Grid Management)	-	158	162	166	171	175	179	184	188	193
<b>Total On-going O&amp;M Costs</b>				1,427	3,624	3,917	4,220	4,767	4,975	4,591	4,728	4,786	4,960
IVVC	Benefits	Fuel Clause	Operation: Avoided Reagent Cost	(5)	(3)	(17)	(27)	(11)	(14)	(26)	(19)	(15)	(20)
IVVC	Benefits	Fuel Clause	Other Energy Savings/Avoided Fuel Costs	(7,644)	(9,968)	(15,551)	(18,227)	(23,886)	(21,556)	(20,900)	(21,534)	(27,075)	(29,571)
SOG	Benefits	Fuel Clause	Peak Shavi Energy Savings/Avoided Fuel Costs	(12)	(12)	(13)	(13)	(14)	(15)	(17)	(18)	(21)	(23)
SOG	Benefits	Fuel Clause	DER/PV En Energy Savings/Avoided Fuel Costs	-	-	-	(135)	(480)	(871)	(1,428)	(2,020)	(2,817)	(3,639)
<b>Total Fuel Savings</b>				(7,661)	(9,983)	(15,581)	(18,401)	(24,391)	(22,456)	(22,371)	(23,592)	(29,928)	(33,254)
IVVC	Benefits	Environmental	Other Environmental	(14)	(19)	(23)	(2,078)	(4,320)	(5,200)	(6,403)	(7,212)	(9,541)	(11,008)
SOG	Benefits	Environmental	Peak Shavi Environmental	-	(1)	(2)	(2)	(3)	(3)	(4)	(5)	(5)	(6)
SOG	Benefits	Environmental	DER/PV En Environmental Benefits	-	-	-	(37)	(160)	(321)	(558)	(821)	(1,196)	(1,642)
IVVC	Benefits	O&M	Operation: Avoided Fixed O&M	-	-	-	-	-	-	-	-	(71)	(714)
IVVC	Benefits	O&M	Operation: Avoided Variable O&M	(483)	(648)	(937)	(1,149)	(1,895)	(1,609)	(1,918)	(1,941)	(1,791)	(1,954)
IVVC	Benefits	O&M	Operation: Avoided Start Cost	(298)	591	(651)	(277)	(547)	(225)	(548)	(148)	(523)	(949)
<b>Total Operational Benefits</b>				(794)	(77)	(1,613)	(3,544)	(6,925)	(7,358)	(9,431)	(10,127)	(13,126)	(16,273)
<b>Depreciation Expense savings</b>				(197)	(600)	(1,019)	(1,449)	(1,869)	(2,239)	(2,585)	(2,926)	(3,235)	(3,540)
<b>Property Tax Savings</b>					(32)	(66)	(101)	(137)	(170)	(198)	(227)	(254)	(278)
<b>Total Operating Expenses (Depreciation + Amortization + Property Taxes)</b>				(7,226)	(7,068)	(14,362)	(19,275)	(28,555)	(27,248)	(29,993)	(32,144)	(41,757)	(48,385)
<b>Income Taxes</b>				1,687	1,650	3,354	4,501	6,668	6,362	7,004	7,506	9,750	11,298
<b>Income Statement Impact (Operating expenses + Taxes)</b>				(5,538)	(5,418)	(11,009)	(14,774)	(21,888)	(20,885)	(22,990)	(24,638)	(32,006)	(37,087)
<b>Total Operating Revenue Requirement</b>				(7,253)	(7,095)	(14,417)	(19,348)	(28,664)	(27,352)	(30,108)	(32,266)	(41,916)	(48,570)
<b>Total Revenue Requirement Impact</b>				(8,309)	(9,228)	(17,619)	(23,615)	(33,878)	(33,280)	(36,795)	(39,582)	(49,760)	(56,969)

				2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Income Statement Impacts</b>													
SOG	Costs	O&M	On-going (IT/Telecom - Cellular	91	227	227	227	227	227	227	227	227	227
SOG	Costs	O&M	On-going (IT/Telecom/Ops. Support	18	42	42	42	42	42	42	42	42	42
SOG	Costs	O&M	On-going (Distribution - Maintenance	8	8	8	44	247	298	337	9	10	10
<b>Total On-going O&amp;M Costs</b>				117	277	277	313	516	567	606	278	279	279
DSDR	Benefits	Fuel Clause	Operation: Avoided Reagent Cost	0	2	(2)	(7)	(0)	(2)	(8)	(4)	(13)	(13)
DSDR	Benefits	Fuel Clause	Other Energy Savings/Avoided Fuel Costs	(5,944)	(6,958)	(12,500)	(12,377)	(12,110)	(11,291)	(10,695)	(13,723)	(14,115)	(17,052)
SOG	Benefits	Fuel Clause	DER/PV EnEnergy Savings/Avoided Fuel Costs	-	-	-	-	(84)	(298)	(540)	(886)	(1,253)	(1,747)
<b>Total Fuel Savings</b>				(5,944)	(6,955)	(12,502)	(12,384)	(12,194)	(11,591)	(11,243)	(14,613)	(15,381)	(18,813)
DSDR	Benefits	Environmental	Other Environmental	(9)	(13)	(17)	(1,438)	(2,193)	(2,785)	(3,178)	(4,628)	(4,483)	(6,433)
SOG	Benefits	Environmental	DER/PV EnEnvironmental Benefits	-	-	-	-	(35)	(149)	(299)	(519)	(764)	(1,113)
DSDR	Benefits	O&M	Operation: Avoided Variable O&M	(587)	(584)	(831)	(594)	(661)	(755)	(714)	(905)	(753)	(1,246)
DSDR	Benefits	O&M	Operation: Avoided Start Cost	(5)	207	(244)	(471)	(701)	(469)	(437)	(600)	(460)	(216)
<b>Total Operational Benefits</b>				(601)	(390)	(1,092)	(2,502)	(3,589)	(4,158)	(4,629)	(6,652)	(6,460)	(9,009)
<b>Total Operating Expenses</b>				(6,428)	(7,069)	(13,316)	(14,573)	(15,267)	(15,182)	(15,265)	(20,986)	(21,563)	(27,542)
<b>Income Taxes</b>				1,489	1,638	3,085	3,376	3,537	3,518	3,537	4,862	4,996	6,381
<b>Income Statement Impact (Operating expenses + Taxes)</b>				(4,938)	(5,431)	(10,231)	(11,197)	(11,729)	(11,664)	(11,729)	(16,124)	(16,567)	(21,161)
<b>Total Operating Revenue Requirement</b>				(6,452)	(7,095)	(13,365)	(14,627)	(15,323)	(15,238)	(15,322)	(21,064)	(21,643)	(27,644)

### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing Late-Filed Exhibit No. 5 as filed in Docket Nos. E-7, Sub 1214 and E-2, Sub 1219, were served via electronic delivery or mailed, first-class, postage prepaid, upon all parties of record.

This, the 8<sup>th</sup> day of September, 2020.

/s/Mary Lynne Grigg

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