NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION

July 28, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. E-2, Sub 1095D
Docket No. E-7, Sub 1100D
Docket No. G-9, Sub 682D

Dear Ms. Campbell:

In connection with the above-referenced dockets, I transmit herewith for filing the public and confidential versions of the Report for a Management Audit of Affiliate Relationships and Transactions Involving Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, and Piedmont Natural Gas Company, Inc. and Other Affiliates or Nonpublic Utility Operations of Duke Energy Corporation submitted by Schumaker & Company.

In the public version of the report, Exhibit III-11 on page 155 is redacted.

By copy of this letter, I am forwarding a copy of the confidential version to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
/s/ Elizabeth D. Culpepper
Staff Attorney
elizabeth.culpepper@psncuc.nc.gov

Attachments

Executive Director	Communications	Economic Research	Legal	Transportation
(919) 733-2435	(919) 733-5610	(919) 733-2267	(919) 733-6110	(919) 733-7766
Accounting	**Consumer Services**	**Electric**	**Natural Gas**	**Water**
(919) 733-4279	(919) 733-9277	(919) 733-2267	(919) 733-4326	(919) 733-5610

4326 Mail Service Center • Raleigh, North Carolina 27699-4300
An Equal Opportunity / Affirmative Action Employer

Schumaker & Company

Report
for a Management Audit of
Affiliate Relationships and Transactions

Involving

Duke Energy Carolinas, LLC,

Duke Energy Progress, LLC,

Piedmont Natural Gas Company, Inc.

and

Other Affiliates or Nonpublic Utility Operations of Duke Energy Corporation

July 2020

Table of Contents

Table of Contents (continued)

Table of Contents (continued)

Table of Contents (continued)

Table of Contents (continued)

Table of Exhibits

Table of Exhibits (continued)

Table of Exhibits (continued)

Table of Exhibits (continued)

Table of Findings

Table of Findings (continued)

Table of Findings (continued)

Table of Recommendations

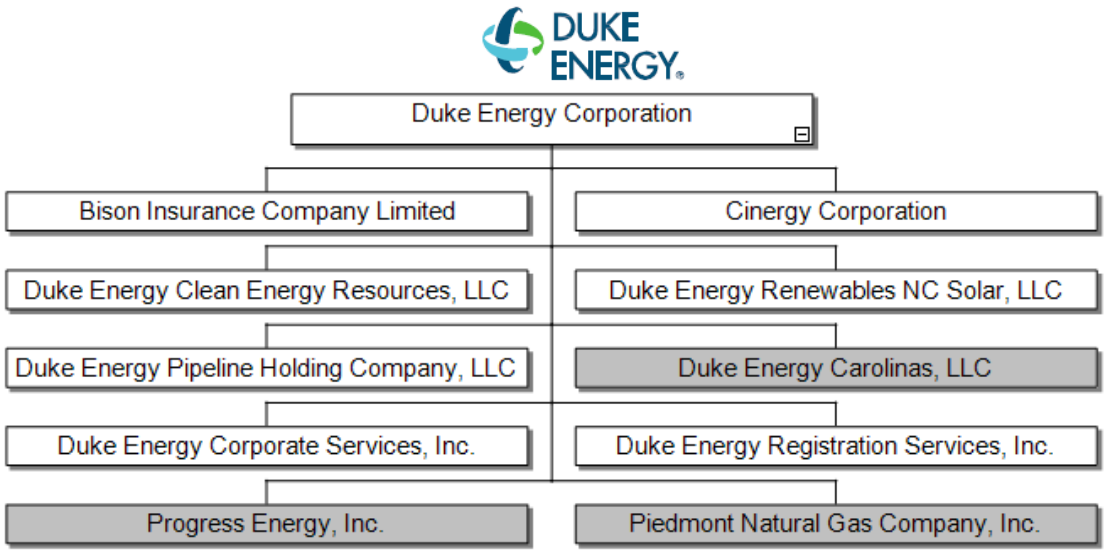
I. Executive Summary

A. Background and Perspective

Understanding of Duke Energy Companies

Exhibit I-1 displays the subsidiaries reporting directly to Duke Energy Corporation, including Duke Energy Carolinas; LLC, Duke Energy Progress, LLC; Piedmont Natural Gas Company, Inc.; and other affiliates or nonpublic utility operations of Duke Energy Corporation.[1] The three highlighted companies serve North Carolina.

Exhibit I-1
Duke Energy Direct Subsidiaries
as of December 31, 2019



Source: Information Response 3
For example, Duke Energy Progress, LLC includes Duke Energy Progress and Duke Energy Florida, plus Cinergy Corporation incudes Duke Energy Florida, Duke Energy Kentucky, Duke Energy Indiana, and Duke Energy Ohio

B. Audit Scope

The project includes reasonably used methodologies which are compared to other utility organizations, plus consideration of:

- The Commission's Order Approving Merger subject to Regulatory Conditions and Code of Conduct (Piedmont Merger Order) issued September 29, 2016, which can be found in Docket No. E-7, Sub 1100.

- The Commission's Order Granting Motion to Amend Regulatory Conditions (Amended Piedmont Merger Order) issued August 24, 2018, which can be found in Docket No. E-7, Sub 1100A.
- The Commission's Order Approving Merger subject to Regulatory Conditions and Code of Conduct (DEC-DEP Merger Order) issued June 29, 2012, which can be found in Docket No. E-7, Sub 986;
- The Final Report on the Affiliate Audit of Duke Energy Carolinas and Duke Energy Progress, submitted by Vantage Energy Consulting, LLC, and the Commission's Order on Audit Recommendations, both of which can be found in Docket No. E-7, Sub 986D (filed March 31, 2015, and March 29, 2016, respectively); and
- Other Commission orders following up on Sub 986D Order on Audit Recommendations.

As specified in the RFP, the audit will also include the following with regard to inter-utility agreements:

- Assessing the adequacy of the systems, policies, cost allocation manuals, and other processes adopted by DEC, DEP, and Piedmont to ensure compliance with Regulatory Condition Nos. 3.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.12, 5.24, 13.1(a), 14.1, 14.2, 14.3, and 14.4 and the Code of Conduct.
- Determining whether or not DEC, DEP, and Piedmont are abiding by the requirement to file, pursuant to N.C. Gen Stat. § 62-153, proposed contracts or agreements memorializing any transactions with Affiliates or proposed Affiliates, and to obtain such determinations and authorizations as may be required under North Carolina law, before engaging in such transactions (Regulatory Condition No. 3.1).
- Determining whether or not goods and services to and from utility affiliates are being taken and received in accordance with filed service agreements and lists of services (Regulatory Condition No. 5.4 and Code of Conduct Section III.D).
- Determining whether or not DEC, DEP, and Piedmont are in compliance with the pricing for inter-utility goods and services transactions as set forth in Regulatory Condition No. 5.2 and Code of Conduct Section III.D (excluding Subsections 3(a), 3(b), and 4).
- Determining whether or not DEC, DEP, and Piedmont are currently in compliance with the requirements that, with regard to goods and services taken from or provided to other Utility Affiliates, (a) they have performed "comprehensive non-solicitation based assessments at a functional level of the market competitiveness of the costs for goods and services" they receive from or provide to such Utility Affiliates in a satisfactory manner, (b) they are utilizing such assessments in a satisfactory manner, and (c) they are up to date with regard to the four-year cycle required for such assessments (Regulatory Condition No. 5.2).
- Determining whether or not DEC and DEP are in compliance with the requirements related to the location of core utility functions (Regulatory Condition No. 5.3).
- Determining whether or not the cost allocation factors set forth in the cost allocation manual have been used and reviewing the propriety and reasonableness of each such factor (Regulatory Condition No. 5.5 and Code of Conduct Section III.D).

- Determining whether direct charging has been used to the maximum extent practicable and in compliance with the Regulatory Conditions and Code of Conduct (Regulatory Condition Nos. 5.5, 5.24, and 5.26, and Code of Conduct Section III.D).
- Determining whether or not DEC, DEP, and Piedmont are in compliance with the reporting and review requirements related to affiliated transactions set forth in Regulatory Condition Nos. 5.5(c), 5.7, and 5.12.
- Determining whether or not DEC, DEP, and Piedmont are complying with the requirement that interim changes to the Cost Allocation Manual (CAM) or changes to lists of goods and services, for which the 15-day notice to the Commission is required, are being filed with the Commission in accordance with Regulatory Condition No. 5.6.
- Determining whether or not DEC, DEP, and Piedmont are in compliance with Regulatory Condition Nos. 14.1, 14.2, 14.3, and 14.4 related to ensuring that the structures and processes necessary to fulfill the commitments expressed in the Regulatory Conditions and the Code of Conduct in a timely, consistent, and effective manner have been established and are being maintained.
- Determining whether or not DEC, DEP, and Piedmont are in compliance with Code of Conduct Sections III.A.1 (related to separation), III.A.2 (related to customer information), and III.A.3 (related to confidential systems operation information).
- Determining whether or not the systems, policies and procedures, cost allocation manual(s), and other operations of DEC and DEP in place as of March 31, 2019 adequately reflect the Commission's decisions and the agreements between DEC, DEP, and the Public Staff concerning Recommendation Nos. VI-R3, VI-R4, VII-R1, VII-R2, and VIII-R4, as set forth in the *Order on Audit Recommendations* issued on March 29, 2016, in Docket No. E-7, Sub 986D.
- Verifying through appropriate sampling that all inter-utility affiliate transactions during a period immediately preceding March 31, 2019 were conducted in compliance with applicable requirements and that they are supported by appropriate and adequate documentation; and
- Preparing a report containing findings and conclusions with respect to the foregoing and provide it to the Public Staff-North Carolina Utilities Commission by January 1, 2020, to be finalized and filed with the Commission by February 15, 2020.

C. Audit Review Methodology

Our Audit Review Methodology includes:

- A project schedule that identified the associated deliverable items to be submitted as evidence of completion of each task and/or sub-task.
- Detailed project hours, which has been designed to reflect the tasks, sub-tasks, or other work elements required by the request for competitive quotes. The chart, shall set forth, for each task, sub-task or other work element, the total number of person-hours, by labor Schumaker & Company participant, proposed to complete the contract. Hourly rates, travel

expenses, and services and materials expenses were included in project cost, which reflects a firm fixed price for the engagement based on the contract's hourly rates, travel expenses, and services and materials expenses.

- Our approach to performing the scope of work, with emphasis on the techniques to be used for collecting and analyzing data.
- The sequence of Duke Energy companies' functional areas to be audited.
- The methods to be used in managing the project.
- Anticipated time for each task to be completed.

Schumaker & Company proposed to conduct a management and operations audit that will concentrate our focus on those areas that can yield the greatest potential benefit or are of greatest concern to the Duke Energy companies. We followed a three-step process designed to establish and sustain vital, interactive working relationships among representatives of Duke Energy companies and the Schumaker & Company project team. Using a similar approach on other projects intended goals of the project. Our detailed approach for achieving the audit objectives – specifically as they apply to each task area of the project follows:

- *Step I – Diagnostic Review* consists of an orientation/administration sub-step, followed by a diagnostic review that results in development of the final work plan. Although we have included a preliminary work plan for this study, this work plan serves only as the initial point from which the final work plan will be developed, in conjunction with Duke Energy companies input, at completion of *Step I – Diagnostic Review*. In some instances, *Step I* investigations may show that certain areas identified in our preliminary work plan do not need to be addressed to the extent originally anticipated. In other instances, some areas may need to be expanded in *Step II – Detailed Reviews and Analyses* as a result of input from Duke Energy companies. It is our experience on similar past studies that this approach will provide the most efficient and effective use of consulting hours, and will deliver the greatest overall benefit to Duke Energy companies and, ultimately, to its ratepayers.
- *Step II – Detailed Reviews and Analyses* includes the bulk of our work activities, including the primary interview and information collection activities and the resulting analyses. This step will result in the development of findings and conclusions, which are then put together in a draft report.
- *Step III – Draft and Final Report Preparation* begins with the preparation of the draft report, followed by submission of the draft report to the Duke Energy companies' *Contract Manager* and receipt of comments. Following final authorization from the Duke Energy companies' *Contract Manager*, this phase will culminate in the issuance of the final audit report.

Our three-step approach enables us to conduct an extensive, yet concise, audit, incorporating a diagnostic evaluation and a review of task areas identified in the RFP, followed by additional detailed study through focused analyses on specific areas targeted and approved by the Duke Energy companies. Our audit will provide insightful analysis and render critical assessments of Duke Energy companies' operations and policies, as well as offer suggestions and guidance for future review, if necessary. The text that follows explains in detail the specific tasks and activities included in each of the three steps.

Duke Energy Carolinas; LLC, Duke Energy Progress, LLC; and Piedmont Natural Gas Company, Inc. are part of the Duke Energy organization, in which its summary organization structure, as of December 31, 2017 is depicted on *Exhibit I-2*.

Exhibit I-2
Summary Duke Energy Corporation Organization
as of December 31, 2017

- Duke Energy Corporation
  - Bison Insurance Company Limited
    - NorthSouth Insurance Company Limited
  - Cinergy Corp.
    - Cinergy Global Resources, Inc.
    - Duke Energy Renewables Holding Company, LLC
      - Duke Energy Commercial Enterprises, Inc.
      - Duke Energy Renewables, Inc.
    - Cinergy Receivables Company, LLC
    - Duke Energy Indiana, LLC
    - Duke Energy Ohio, Inc.
      - Duke Energy Beckjord, LLC
      - Duke Energy Kentucky, Inc.
      - KO Transmission Company
      - Miami Power Corporation
      - Ohio Valley Electric Corporation
      - Tri-State Improvement Company
    - Duke Energy SAM, LLC
    - Duke Energy Transmission Holding Company, LLC
    - Duke Technologies, Inc.
    - Progress Fuels, LLC
  - Duke Energy Clean Energy Resources
  - Duke Energy Renewables NC Solar, LLC
  - Duke Energy Pipeline Holding Company, LLC
    - Duke Energy ACP, LLC
    - Duke Energy Sabal Trail, LLC
    - Piedmont ENCNG Company, LLC
    - Piedmont Constitution Pipeline Company, LLC
    - DEPHCO Logistics, LLC
  - Duke Energy Carolinas, LLC
  - Duke Energy Corporate Services, Inc.
    - Duke Energy Business Services LLC
  - Duke Energy Registration Services, Inc.
    - Duke Energy Americas, LLC
      - Duke Energy International, LLC
  - Progress Energy, Inc.
    - Duke Energy Progress, LLC
    - Florida Progress, LLC
      - Duke Energy Florida, LLC
    - Strategic Resource Solutions Corp.
  - Piedmont Natural Gas Company, Inc.
    - Piedmont Energy Partners, Inc.
    - Piedmont Hardy Storage Company, LLC

Source: Information Response 9 (CAM): The service company is Duke Energy Business Services, LLC (DEBS).
The regulated utilities are Duke Energy Carolinas; LLC (DEC) Duke Energy Progress, LLC (DEP); and Piedmont Natural Gas Company, Inc. (Piedmont), plus Duke Energy Indiana, Inc. (DEI), Duke Energy Ohio, Inc. (DEO), Duke Energy Kentucky, Inc. (DEK), Miami Power Corporation, and Ohio Valley Electric Corporation, which are part of the Cinergy Corporation.

D. Audit Methodology & Work Plan

Schumaker & Company followed a three-step process designed to sustain vital, interactive working relationships our project team and Duke Energy. Our approach for achieving the audit objectives was as follows:

- *Step I* – Diagnostic Review
- *Step II* – Detailed Review and Analysis
- *Step III* – Draft and Final Report Preparation

Each task area in our work plan was designed to allow our team to efficiently gather and analyze information necessary to develop an opinion whether DEC, DEP, and Piedmont adequately complied NC affiliate standards. The tables on the following pages illustrate a general discussion of the type of work steps typically performed for each task area, as well as the preliminary information that would be required and the key indicators that we would use to assess that specific task area.

Affiliate Relationships		
Typical Work Steps	**Information Required**	**Key Indicators**
Review governing regulations, orders, and decisions from the Commission regarding affiliate transactions and determine if these affiliate relations rules have been fully complied with by Duke Energy companies; identify any situations of non-compliance and determine the actual or potential impact of this non-compliance. Obtain Duke Energy organization charts showing the relationships of Duke Energy companies with its holding company and affiliates; review the management structure of major entities. Identify affiliates that had transactions with Duke Energy companies during the last five years and identify all products and services provided from/to regulated and unregulated affiliates of Duke Energy companies during the period. Document the frequency/dollar magnitude of all affiliate goods and services by year and by affiliate for all items received by or provided by Duke Energy companies. Develop diagrams, graphs, and/or tabulations identifying affiliates, services, dollar magnitude, and other useful information and data. Explain any significant trends or changes. Analyze trends of allocated amounts compared to the trends of these costs in the parent/affiliate. Separately identify affiliate transactions involving the transfer of employees, property, and/or technology. Identify, by plant category, any capital expenditures made by affiliates but allocated to Duke Energy companies' operations.	Copies of all governing regulations, orders, and decisions from the Commission regarding affiliate transactions Duke Energy companies, holding company, and affiliate organization charts showing all affiliate relationships, including regulatory status of affiliates Affiliate agreement among Duke Energy companies, holding company, and affiliate organizations. Description of all products and services provided from/to regulated and unregulated affiliates of Duke Energy companies during the last five years Level and nature of affiliated transactions (actual and budget dollars) from/to Duke Energy companies' operations and affiliates during the last five years, including a breakdown by: ♦ From/to affiliate ♦ Type of transaction ♦ Time period Actual dollars and personnel equivalents, by functional category, for each associated regulated and/or non-regulated Duke Energy companies subsidiary	All affiliate transactions of Duke Energy companies should be in complete compliance with all of the governing regulations, orders, and decisions from the Commission regarding affiliate transactions. The relationships with affiliates are clearly documented. The costs are fairly representative of the value of goods and services provided and of the benefits derived by North Carolina ratepayers. Duke Energy companies should be able to easily furnish information regarding the products and services provided to/from its affiliates and the corresponding financial transactions that result. Duke Energy companies should not be negatively impacted by its relationships in the overall corporate organization.

Identify shared facilities, systems, and programs among affiliates including employee training, joint purchasing, information technology, advertising and promotion, and corporate support services. Review internal systems for providing assurance that goals and objectives are accomplished at the lowest possible cost and maximum benefit to ratepayers.	The level and nature of affiliated transactions (actual and budgeted capital expenditure dollars, by plant category) allocated to Duke Energy companies' operations by affiliates during the last five years – as compared to its parent/affiliates Cost Allocation Manual document, including formulas and basis	
Identify internal controls in place to protect against irregular, illegal, and/or improper transactions. Review internal controls and information flow involving affiliate relationships. Review directors' and officers' correspondence. Evaluate independence of purchasing on behalf of Duke Energy companies on all staff levels and assess performance in acting in best interest of Duke Energy companies and its ratepayers. Evaluate Duke Energy companies' relationship with holding company, and its affiliates and the ability of internal controls and structure to allow it to make purchases on behalf of Duke Energy companies that are in the best interest of Duke Energy companies and its ratepayers.	Documentation describing internal controls of Duke Energy companies' relationship with holding company, and its affiliates, especially involving (a) purchases on behalf of Duke Energy companies and (b) protection against irregular, illegal, and/or improper transactions. Identification and samples of written and verbal correspondence between directors and officers for past eight (8) years	Duke Energy companies' affiliate relationships and associated activities are in the best interest of North Carolina ratepayers.

Cost Accumulation and Assignment/Cost Allocation Methodologies		
Typical Work Steps	**Information Required**	**Key Indicators**
Determine procedures specified for identifying, tracking, and posting direct, indirect, and general overhead costs to specific projects or cost pools. Determine how these assignment policies, procedures, and practices have changed over time; assess the rationale for these changes. Assess methodologies (e.g., accounting systems) used to accumulate and assign costs. Examine criteria used to assign costs. Evaluate Duke Energy companies' hierarchy for placing emphasis on direct billing versus cost allocation, and for developing causal relationships in formulating allocation methodologies. Evaluate whether direct billing is used whenever possible. Review cost allocations used to allocate joint and common costs between Duke Energy companies and its affiliates for the past eight (8) years. Assess whether cost accumulation/assignment bases are reasonable and appropriate (e.g., based on cost causative factors) and whether they have been consistently developed. Review documentation involving policies and guidelines in place to establish the appropriation of resources and costs, including (but not limited to): ♦ Finance manuals ♦ Assignment policies ♦ Cost allocation manuals Identify generic direct billing and/or cost allocation methodologies in place within Duke Energy companies and its affiliates used to calculate the costs for services or products provided. Assess whether cost allocation methodologies, and their associated bases and factors, are reasonable and appropriate, and whether they have been consistently applied. Assess whether these methodologies are regularly reviewed and revised. Determine whether the policies, procedures, and practices governing transfer pricing methodologies and accounting standards are adequately documented and understood by the personnel involved. Identify the data sources and special studies required to develop allocations factors (if they are used), and evaluate their appropriateness.	Any cost accounting documentation involving cost accumulation and assignment Copies of Duke Energy companies' general ledger and pertinent subsidiary ledgers Any accounting manuals and other documentation describing methodologies, bases, and factors used for direct billing and/or cost allocation, and/or segregating regulated and unregulated costs, including (but not limited to): ♦ Finance manuals ♦ Assignment policies ♦ Cost allocation manuals Description of daily accounting standards and recordkeeping methods and procedures that support the daily operations between Duke Energy companies and its affiliates	Duke Energy companies and its affiliates should have in place well-defined and consistently applied procedures for accumulating and assigning costs, and should be able to provide timely, current, and accurate information regarding the level, nature, and magnitude of costs incurred. Direct billing and allocation methodologies used by Duke Energy companies and its affiliates should be founded on reasonable and fair factors and bases that properly reflect the value of products and services received, and should be supported by automated systems and contracts that provide management with the information and data it needs for recording and managing these activities. Duke Energy companies should not be negatively impacted by its relationships in the overall corporate organization.

Cost Accumulation and Assignment/Cost Allocation Methodologies, continued		
Typical Work Steps	**Information Required**	**Key Indicators**
Determine how allocation policies, procedures, and practices have changed over time; assess the rationale for these changes Determine if contracts and/or leases are in place and current where appropriate. Determine if they define the nature of affiliate services rendered, set forth clearly defined bases for associated charges, and stipulate terms and conditions favorable to Duke Energy companies' regulated operations in New Jersey. Determine if any contracts with third parties involving more than one affiliate provide Duke Energy companies' operations with full consideration for performance, taking into account risk premiums or time value of money implicit in the payment or collection terms of such contracts. Assess whether the direct billing and cost allocation processes are adequately automated. Evaluate those mechanisms and procedures in the direct charges/cost allocation guidelines intended to guard against the cross-subsidization of unregulated entities, either through intentional or unintentional means. Identify the extent to which Duke Energy companies' financial strength is impacted by or insulated from its affiliated (regulated or unregulated) companies.		Appropriate policies, procedures, and practices exist involving accounting and allocations of affiliate transactions. Appropriate agreements exist involving Duke Energy companies and its affiliates.
Identify the decision-making process used in the determination of services required, and for identifying the most optimum means of providing these services. Identify how Duke Energy companies determines whether internal or external resources are used; identify instances of comparisons between outside vendors and internal resources for products and services provided to Duke Energy companies.	Any analyses regarding use of external vendors for the development and delivery of services to Duke Energy companies and its operations Any cost/benefit analyses performed during the last five years regarding provision of services by Duke Energy companies or its affiliates	Decisions pertaining to the use of external vendors should be based on analysis that considers cost-benefit, financial, and other factors. These decisions should consider comparisons to provision directly by Duke Energy companies or its affiliates, as well as the benefits that customers of regulated operations will receive.

Cost Accumulation and Assignment/Cost Allocation Methodologies, continued		
Typical Work Steps	**Information Required**	**Key Indicators**
Determine the accuracy of allocations when allocating joint/common costs between Duke Energy companies and its affiliates. Review the time sheet reporting practices of employees with shared responsibilities to determine allocations, plus determine if the duties of employees who bill time for Duke Energy companies and/or its affiliates permit for cross-subsidization. Review and assess pricing policies between affiliate interests, e.g. the market price of electricity compared to the cost of electricity purchased by Duke Energy companies Evaluate competitive and noncompetitive bidding procedures. Identify all of Duke Energy companies' lease arrangements with its affiliates, determine if the terms of the arrangements are consistent with lease arrangements in competing local markets, have recommended cost allocations and are set at arm's length.	Description of the time sheet reporting process regarding Duke Energy companies and its affiliates. Description of market prices of electricity compared to the cost of electricity purchased by Duke Energy companies Description of competitive and noncompetitive bidding procedures. Copies of any lease arrangements between Duke Energy companies and its affiliates	Appropriate policies, procedures, and practices exist involving accounting and allocations of affiliate transactions. Any discrepancies in accounting and allocations shall be corrected by providing direct cost allocations when possible and explanations where the costs cannot be directly allocated. Affiliate charges and cost allocation methodologies among Duke Energy companies and its affiliates adhere to applicable legal, regulatory, and contractual requirements.

Capital Allocation among Subsidiaries		
Typical Work Steps	**Information Required**	**Key Indicators**
Identify and describe the manner in which capital is allocated among all the holding company or affiliates units, and also provide any associated policies and procedures documentation. Identify and describe how Duke Energy companies' needs for capital are evaluated relative to the other the holding company or affiliates regulated subsidiaries and the holding company or affiliates' unregulated subsidiaries	Policies and procedures for allocating capital among the holding company or affiliates units Policies and procedures for identifying Duke Energy companies' needs for capital, and how they are evaluated relative to the other the holding company or affiliates regulated subsidiaries and the holding company or affiliates' unregulated subsidiaries	Capital items are appropriately allocated among the holding company or affiliates units and Duke Energy companies receives a fair share of the allocations. Duke Energy companies' allocations of the holding company or affiliates' capital investment, given Duke Energy companies' strong performance and returns, are appropriate.

E. Summary of Recommendations

The recommendations contained in the audit report are shown in *Exhibit I-3,* including recommendation number, page number in the report, priority, and estimated time-frame to initiate implementation efforts.

Exhibit I-3
Summary of Recommendations

#	Description	Page	Implementation	
			Priority	Initiation Time Frame
Affiliate Relationships				
II-1	Easily keep track of all governing regulations, orders and decisions from the Commission regarding affiliate transactions in future.	127	High	0-6 Months
II-2	Generally Duke Energy should address all Schumaker & Company audit recommendations.	127	High	0-6 Months
II-3	Keep a formal organization chart of showing Duke Energy companies and associated employees reporting, so outside personnel reviewing Duke Energy can easily determine how it is structured.	127	Medium	6-12 Months
II-4	Have the Compliance Group access to related internal audits that address what they're reviewing.	128	High	0-6 Months
II-5	Make sure that CAM documentation is updated annually and provided to the Commission in an appropriate timely manner by March 31 of the year to be used.	128	High	0-6 Months
II-6	Review and update, if necessary, all affiliate agreements at least every two years.	128	Medium	6-12 Months
II-7	Provide detailed information regarding affiliate relationships, plus direct charges and cost allocations, to BOD members, at least annually.	128	High	0-6 Months
Cost Accumulation and Assignment and Cost Allocation Methodologies				
III-1	Review FERC Form 1 reporting to determine how common typos are in the process of creating the FERC Form 1.	162	Medium	6-12 Months
III-2	Review and update policies and procedures to clearly show they are current documents.	162	High	0-6 Months
Capital Allocation among Subsidiaries				
None				

II. Affiliate Relationships

This chapter reviews affiliate relationships of Duke Energy Corporation, including Duke Energy Carolinas, LLC (DEC); Duke Energy Progress, LLC (DEP), Piedmont Natural Gas Company, Inc. (Piedmont), and other affiliates or nonpublic utility operations as part of the affiliate audit on behalf of the North Carolina Utility Commission (NCUC).

A. Background and Perspective

Governing Regulations, Orders, and Decision from the Commission Regarding Affiliate Transactions

Duke Energy management considers the provision of these items overly broad, but NCUC regulations and orders provided by Duke Energy are as follows:[2]

- *DOCKET NO. E-7, SUB 596:* 04/22/1997 Order Approved PanEnergy Merger in the matter of Application of Duke Power Company for Authorization under North Carolina General Statute Sections 62-111 and 62-161 to Engage in and to Issue Securities in Connection with a Business Combination Transaction with PanEnergy Corp, in which Order approved merger and issuance of securities
- *DOCKET NO. E-7, SUB 614 and E-13, SUB 178*: 04/08/1998 Order Approved Nantahala Merger in the matter of Application of Duke Energy Corporation and Nantahala Power and Light Company for Authorization Under North Carolina General Statute Section 62-111 to Combine Nantahala Power and Light Company and Duke Power, a Division of Duke Energy Corporation, in which the Order approved combination of Nantahala Power and Light Company and Duke Energy Corporation and transfer of Nantahala franchise
- *DOCKET NO. E-2, SUB 740 and NO. G-21, SUB 377*: 07/13/1999 Order Approved North Carolina Natural Gas (NCNG) Corporation Merger in the matter of Application of Carolina Power & Light Company (CP&L) and North Carolina Natural Gas Corporation to Engage in a Business Combination Transaction and to Allow Carolina Power & Light Company to Issue Securities in Connection With Such Transaction, in which Order approved merger and issuance of securities
- *DOCKET NO. E-2, SUB 753 and NO. G-21, SUB 387 and NO. P-708, SUB 5*: 05/17/2000 Order Approved Holding Company in the matter of Application by Carolina Power & Light Company, Interpath Communications, Inc., and North Carolina Natural Gas Corporation to Transfer Ownership of Carolina Power & Light Company, Interpath Communications, Inc., and North Carolina Natural Gas Corporation to a Holding Company

- *DOCKET NO. E-2, SUB 760:* 08/22/2000 Order Approved Florida Progress Corporation (FPC) Merger in the matter of Application of CP&L Energy, Inc. to Engage in a Business Combination Transaction with Florida Progress Corporation, in which Order approved merger and issuance of securities
- *DOCKET NO. E-2, SUB 825 and G-21, SUB 439, and G-9, SUB 470:* 06/26/2003 Order Approved Sale of NCNG to PNG in the matter of Joint Application of Carolina Power & Light Company, North Carolina Natural Gas Corporation, Piedmont Natural Gas (PNG) Company, Inc., and Progress Energy, Inc., to Engage in Business Transactions
- *DOCKET NO. E-2, SUB 844*: 12/23/2003 Order Amended CP&L Code of Conduct
- *DOCKET NO. E-7, SUB 795:* 03/24/2006 Order Approved Cinergy Merger in the matter of Application of Duke Energy Corporation for Authorization under G.S. 62-111 to Enter Into a Business Combination Transaction With Cinergy Corporation and for Approval of Affiliate Agreements under G.S. 62-153, in which Order approved merger subject to regulatory conditions and code of conduct
- *DOCKET NO. E-7, SUB 795B:* 07/03/2008 Order on 1st Cinergy Audit in the matter of Comprehensive, Third-Party, Independent Audits of Affiliate Transactions as Required by Order Approving Merger Subject to Regulatory Conditions and Code of Conduct Entered in Regard to the Application of Duke Energy Corporation for Authorization Under G.S. 62-111 to Enter Into a Business Combination Transaction with Cinergy Corp. and for Approval of Affiliate Agreements Under G.S. 62-153, in which Order ruled on audit recommendations
- *DOCKET NO. E-2, SUB 998 and E-7, SUB 986*: 06/29/2012 Order Approved Progress Merger in the matter of Application of Duke Energy and Progress Energy, Inc., to Engage in a Business Combination Transaction and Address Regulatory Conditions and Codes of Conduct, in which Order approved merger subject to regulatory conditions and code of conduct
- *DOCKET NO. E-7, SUB 795B:* 02/20/2013 Order on 2d Cinergy Audit in the matter of Comprehensive, Third-Party, Independent Audits of Affiliate Transactions as Required by Order Approving Merger Subject to Regulatory Conditions and Code of Conduct Entered in Regard to the Application of Duke Energy Corporation for Authorization Under G.S. 62-111 to Enter Into a Business Combination Transaction With Cinergy Corporation and for Approval of Affiliate Agreements Under G.S. 62-153, in which Order ruled on recommendations of second audit
- *DOCKET NO. E-2, SUB 1095 and E-7, SUB 1100 and G-9, SUB 682*: 09/29/2016 Order Approved PNG Merger in the matter of Application of Duke Energy Corporation and Piedmont Natural Gas, Inc., to Engage in a Business Combination Transaction and Address Regulatory Conditions and Code of Conduct, in which Order approved merger subject to regulatory conditions and code of conduct
- *DOCKET NO. E-100, SUB 150:* 11/06/2017 Order Adopt Competitive Procurement of Renewable Energy (CPRE) Rule in the matter of Rulemaking Proceeding to Implement G.S. 61-110.8, in which Order adopted and amended rules

- *DOCKET NO. NCUC Regulations Rule 8-64 CPRE* - Application for Certificate of Public Convenience and Necessity by CPRE Program Participant, Qualifying Cogenerator, or Small Power Producer; Progress Reports

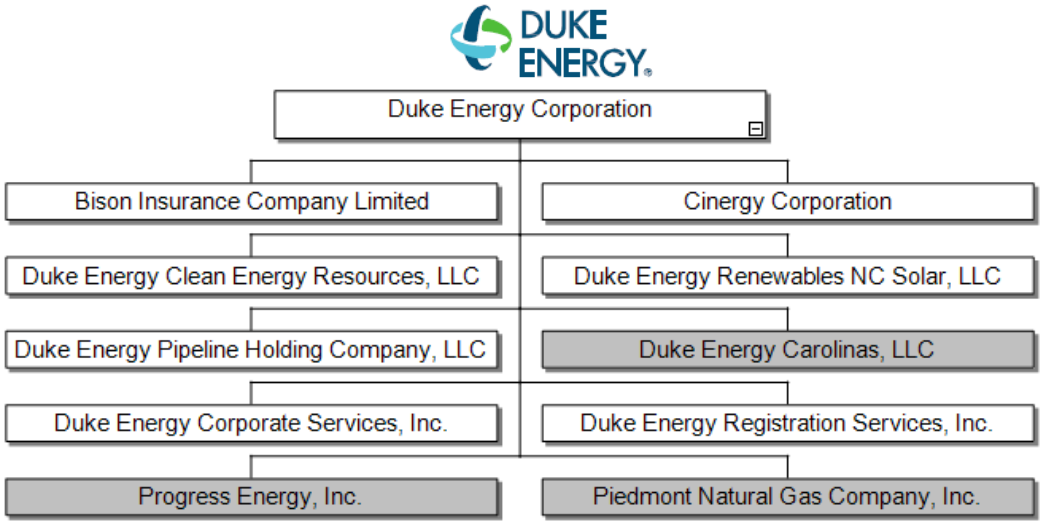
For example, in summary of DOCKET NO. E-100, SUB 150 to adopt NCUC Regulations Rule 8-64 CPRE, it says:[3] "BY THE COMMISSION: On July 28, 2017, the Commission issued an order initiating this rulemaking proceeding to adopt and modify the Commission's rules, as necessary, to implement G.S. 62-110.8, enacted S.L. 2017-192, which requires Duke Energy Progress, LLC (DEP), and Duke Energy Carolinas, LLC (DEC) (together, Duke) to file with the Commission a program for the competitive procurement of energy and capacity from renewable energy facilities with the purpose of adding renewable energy to the State's generation portfolio in a manner that allows the State's electric public utilities to reliably and cost-effectively serve customers' future energy needs (Competitive Procurement of Renewable Energy or CPRE Program). G.S. 62-110.8(a). To facilitate the Commission adopting final rules in this proceeding in advance of the mandated utilities' filings, that order set an expedited schedule for filings in this proceeding. In addition, that order made DEP and DEC (together, Duke), parties to this proceeding and recognized the participation of the Public Staff. Consistent with G.S. 62-110.8(h), that Order required the parties' initial and reply filings to specifically address the following:"

1. Oversight of the competitive procurement program.
2. To provide for a waiver of regulatory conditions or code of conduct requirements that would unreasonably restrict a public utility or its affiliates from participating in the competitive procurement process, unless the Commission finds that such a waiver would not hold the public utility's customers harmless.
3. Establishment of a procedure for expedited review and approval of certificates of public convenience and necessity (CPCN), or the transfer thereof, for renewable energy facilities owned by the public utility and procured pursuant to this section. The Commission shall issue an order not later than 30 days after a petition for a certificate is filed by the public utility.
4. Establishment of a methodology to allow an electric public utility to recover its costs pursuant to G.S. 62-110.8(g).
5. Establishment of a procedure for the Commission to modify or delay implementation of the provisions of this section in whole or in part if the Commission determines that it is in the public interest to do so.

Duke Energy Companies

Exhibit I-1 displays the subsidiaries reporting directly to Duke Energy Corporation, including Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, Piedmont Natural Gas Company, Inc., which are highlighted below, and other affiliates or nonpublic utility operations of Duke Energy Corporation.[4] *Exhibit II-2* provides a summary of Duke Energy Corporate structure.[5]

Exhibit II-1
Duke Energy Direct Subsidiaries
as of December 31, 2019



Source: Information Response 3

Exhibit II-2
Summary of Duke Energy Corporate Structure
as of December 31, 2017

- Duke Energy Corporation
  - Bison Insurance Company Limited
    - NorthSouth Insurance Company Limited
  - Cinergy Corp.
    - Cinergy Global Resources, Inc.
    - Duke Energy Renewables Holding Company, LLC
      - Duke Energy Commercial Enterprises, Inc.
      - Duke Energy Renewables, Inc.
    - Cinergy Receivables Company, LLC
    - Duke Energy Indiana, LLC
    - Duke Energy Ohio, Inc.
      - Duke Energy Beckjord, LLC
      - Duke Energy Kentucky, Inc.
      - KO Transmission Company
      - Miami Power Corporation
      - Ohio Valley Electric Corporation
      - Tri-State Improvement Company
    - Duke Energy SAM, LLC
    - Duke Energy Transmission Holding Company, LLC
    - Duke Technologies, Inc.
    - Progress Fuels, LLC
  - Duke Energy Clean Energy Resources
  - Duke Energy Renewables NC Solar, LLC
  - Duke Energy Pipeline Holding Company, LLC
    - Duke Energy ACP, LLC
    - Duke Energy Sabal Trail, LLC
    - Piedmont ENCNG Company, LLC
    - Piedmont Constitution Pipeline Company, LLC
    - DEPHCO Logistics, LLC
  - Duke Energy Carolinas, LLC
  - Duke Energy Corporate Services, Inc.
    - Duke Energy Business Services LLC
  - Duke Energy Registration Services, Inc.
    - Duke Energy Americas, LLC
      - Duke Energy International, LLC
  - Progress Energy, Inc.
    - Duke Energy Progress, LLC
    - Florida Progress, LLC
      - Duke Energy Florida, LLC
    - Strategic Resource Solutions Corp.
  - Piedmont Natural Gas Company, Inc.
    - Piedmont Energy Partners, Inc.
    - Piedmont Hardy Storage Company, LLC

Source: Information Response 9 (CAM)

Exhibit II-3 details the corporate structure of Duke Energy Corporation as of December 31, 2019.[6] The structure for the 10 direct subsidiaries, in which details for each were also included, was consistent with SEC filings. The Deputy General Counsel group, which reviewed these items, is responsible for corporate business records, in which the group manages update information and provides to management quarterly. It is also on the company's portal, too, for employees to access. Structure can change a little bit every quarter, but there hasn't been much change since 2019.[7]

Also shown by highlighting are regulatory status (federal and state), in which yellow *Denotes List of Duke Public Utilities Subject to Interlock Regulations under 18 C.F.R. § 45.2(b)(1) and green *Denotes List of Duke Qualifying Facilities Subject to Annual FERC Form 561 Reports (under Section 305(c) of Federal Power Act).[8]

Exhibit II-3
Duke Energy Corporation Corporate Structure
as of December 31, 2019

Company	Subsidiaries
Bison Insurance Company Limited (100%) (SC 06.15.2012)	NorthSouth Insurance Company Limited (100%)(SC 06.15.2012)
Cinergy Corporation (100%)(DE 06.30.1993)	Cinergy Global Resources, Inc. (100%)(DE 05.15.1998) >Cinergy Global Power, Inc. (100%)(DE 09.04.1997) >CGP Global Greece Holdings, SA (99.99%)(Greece 08.10.2001) >Cinergy Global (Cayman) Holdings, Inc. (100%)(Cayman Islands 09.04.1997) >Cinergy Global Tsavo Power (100%)(Cayman Islands 09.04.1997) >IPS-Cinergy Power Limited (48.2%)(Kenya 04.28.1999) >Tsavo Power Company Limited (49.9%)(Kenya 01.22.1998) >Cinergy Global Holdings, Inc. (100%)(DE 12.18.1998) >CGP Global Greece Holdings, SA (.01%)(Greece 08.10.2001) >Cinergy Global Power Africa (Proprietary) Limited (100%)(South Africa 08.03.1999) Duke Energy Renewables Holding Company, LLC (100%) (DE 10.24.1994) >Duke Energy Commercial Enterprises, Inc. (100%) (IN 10.08.1992) >CinCap V, LLC (10%)(DE 07.21.1998) >Cinergy Climate Change Investments, LLC (100%)(DE 06.09.2003) >Duke Energy Renewables, Inc. (100%)(DE 02.11.1997) >Duke Energy Renewables Commercial, LLC (100%)(DE 12.16.2014) >Stenner Creek Solar LLC (100%)(DE 01.17.2017) >Duke Energy Skyhigh, LLC (100%)(DE 07.30.2018) >Skyhigh Sun, LLC (Class B Interests 100%)(DE 07.30.2018) >Westbound Solar, LLC (100%)(DE 09.11.2018) >TES Anchor Solar 23, LLC (100%)(DE 01.25.2019) >Southbound Solar, LLC (100%)(DE 04.12.2018) >Westbound Solar 2, LLC (100%)(DE 10.24.2019) >TES Rowlier Solar 3 LLC (100%) (DE -09.18.2018) >Duke Energy Renewables Solar, LLC (100%)(DE 05.13.2010) >Caprock Solar 2 LLC (100%)(DE 10.31.2014) >Caprock Solar Holdings 2, LLC (100%)(DE 04.30.2015) >West Texas Angelos Holdings LLC (100%)(DE 06.08.2012) >Carolina Solar Power, LLC (100%)(DE 02.13.2018) >Broad River Solar, LLC (100%)(DE 02.15.2019) >Stony Knoll Solar, LLC (100%)(DE 02.19.2019) >Speedway Solar NC, LLC (100%)(DE 04.15.2019) >RE Rambler LLC (100%)(DE 05.19.2017) >Duke Energy Renewables Wind, LLC (100%)(DE 05.23.2007) >Nemaha Windpower, LLC (f/k/a Amshore Osage, LLC) (100%) (DE 03.14.2017) >Catamount Energy Corporation (100%)(VT 06.23.1992) >Equinox Vermont Corporation (100%)(VT 05.01.1990) >Catamount Rumford Corporation (100%)(VT 04.11.1989) >Ryegate Associates (33.1126%)(UT 04.30.1990) >Catamount Sweetwater Corporation (100%)(VT 06.17.2003)

	>Sweetwater Development LLC (100%)(TX 11.05.2002) >Sweetwater Wind Power L.L.C. (100%)(TX 11.05.2002) >Catamount Sweetwater Holdings LLC (100%)(VT 06.20.2005) >Catamount Sweetwater 1 LLC (100%)(VT 12.12.2003) >Catamount Sweetwater 2 LLC (100%)(VT 05.05.2004) >Catamount Sweetwater 3 LLC (100%)(VT 06.03.2004) >Catamount Sweetwater 4-5 LLC (100%)(VT 03.08.2005) >Sweetwater 4-5 Holdings LLC (18.72%)(DE 04.18.2007) >Sweetwater Wind 4 LLC (100%)(DE 04.29.2004) >Sweetwater Wind 5 LLC (100%)(DE 04.29.2004) >Catamount Sweetwater 6 LLC (100%)(VT 09.07.2005) >CEC UK1 Holding Corp. (100%)(VT 09.11.2002) >CEC UK2 Holding Corp. (100%)(VT 09.11.2002) >DEGS Wind Supply, LLC (100%)(DE, 12.11.2007) >DEGS Wind Supply II, LLC (100%)(DE 08.26.2008) >Kit Carson Windpower II Holdings, LLC (100%)(DE 07.24.2013) >Kit Carson Windpower II, LLC (100%)(DE 07.24.2013) >Ledyard Windpower, LLC (100%)(TX 11.02.2017) >Duke Energy Generation Services, Inc. (DE 06.02.2000) >DEGS O&M, LLC (100%)(DE 08.30.2004) >DEGS of Narrows, LLC (100%)(DE 03.17.2003) >Duke Energy Industrial Sales, LLC (100%)(DE 06.06.2006) >Duke Energy Renewable Services, LLC (100%)(DE 10.22.2012) >REC Solar Commercial Corporation (100%)(DE 11.26.2013) >TES Rowtier Solar 23 LLC (100%)(DE 09.18.2018) >Duke Ventures II, LLC (100%)(DE 09.01.2000) >Spruce Finance, Inc. (7.70%)(DE 12.16.2015) >Encycle Corporation (15.05%)(Ontario) >PHX Management Holdings, LLC (70%)(DE 10.15.2015) >Phoenix Energy Technologies, Inc. (7.7%)(DE 12.20.2008) >Symphony Wind Holdings, LLC (100%)(DE 05.22.2019) >Duke Energy Mesteno, LLC (100%)(DE 03.28.2019) >Mesteno Energy Holdings, LLC (100%)(DE 03.28.2019) >Mesteno Windpower, LLC (100%)(DE 06.07.2018) >Frontier Windpower II, LLC (100%)(DE 11.18.2015) >Maryneal Windpower, LLC (f/k/a Sweetwater Wind 6 LLC)(100%) (DE 04.29.2004) >Duke Energy Renewables Storage, LLC (100%)(DE 12.05.2019) >Duke Energy Renewables Solar Holdings, Inc. (100%)(DE 09.10.2019) >Duke Energy Golden Vista, LLC (100%)(DE 08.01.2019) >Golden Vista Energy Holdings, LLC (Class B Interests 100%) (DE 08.01.2019) >Lapetus Energy Project, LLC (100%)(DE 03.21.2017) >Palmer Solar LLC (100%)(DE 03.21.2017) >Rosamond Renewables, LLC (100%)(DE 11.21.2017) >Rosamond Solar Portfolio, LLC (100%)(DE 11.21.2017) >Rosamond Solar AQ LLC (100%)(DE02.22.2018) >Rosamond Solar Holdings, LLC (Class B Interests 100%) (DE 11.21.2017) >North Rosamond Solar, LLC (100%)(DE 09.30.2009) >DER Holstein Holdings, LLC (100%)(DE 04.24.2019) >DER Holstein TX Holdings, LLC (100%)(DE 04.24.2019) >DER Holstein, LLC (100%)(DE 04.24.2019) >Holstein Solar Holdings, LLC (100%)(DE 04.24.2019) >226HC 8me LLC (100%)(DE 07.25.2016) >DER Rambler Solar, LLC (100%)(DE 12.13.2019)

>Rambler Solar Holdings, LLC (100%)(DE 12.13.2019)
>Duke Energy Sun Holdings, LLC (100%)(DE 03.15.2019)
>Symphony Sun, LLC (67%)(DE 03.15.2019)
>Washington Airport Solar, LLC (100%)(DE 10.16.2013)
>Wild Jack Solar Holdings LLC (100%)(DE 10.06.2015)
>Wild Jack Solar LLC (100%)(DE 10.06.2015)
>Pumpjack Solar I, LLC (100%)(DE 02.09.2012)
>Wildwood Solar I, LLC (100%)(DE 02.09.2012)
>High Noon Solar Holdings, LLC (100%)(DE 05.04.2017)
>High Noon Solar, LLC (100%)(DE 05.04.2017)
>Caprock Solar 1 LLC (100%)(DE 10.31.2014)
>Caprock Solar Holdings 1, LLC (100%)(DE 04.30.2015)
>Longboat Solar, LLC (100%)(DE 06.05.2014)
>Rio Bravo Solar I, LLC (100%)(DE 03.22.2012)
>Rio Bravo Solar II, LLC (100%)(DE 04.05.2013)
>Seville Solar Holding Company, LLC (100%)(DE 05.06.2014)
>Seville Solar One LLC (100%)(DE 05.06.2014)
>Tallbear Seville LLC (49%)(CA 11.29.2012)
>Seville Solar Two, LLC (100%)(DE 05.06.2014)
>Victory Solar LLC (100%)(DE 09.15.2015)
>Wildwood Solar II, LLC (100%)(DE 03.22.2012)
>Duke-Reliant Resources, Inc. (100%)(DE 01.14.1998)
>Los Vientos Windpower III Holdings, LLC (100%)(DE 07.24.2013)
>Los Vientos Windpower IV Holdings, LLC (100%)(DE 07.24.2013)
>Los Vientos Windpower V Holdings, LLC (100%)(DE 07.24.2013)
>Duke Energy Breeze Holdings, LLC (100%)(DE 03.14.2019)
>Symphony Breeze, LLC (51%)(DE 03.14.2019)
>Clear Skies Solar Holdings, LLC (100%)(DE 11.15.2012)
>Clear Skies Solar, LLC (100%)(DE 11.15.2012)
>Black Mountain Solar, LLC (100%)(AZ 05.04.2011)
>CS Murphy Point, LLC (100%)(NC 01.12.2010)
>Martins Creek Solar NC, LLC (100%)(NC 04.08.2010)
>Murphy Farm Power, LLC (100%)(NC 01.27.2010)
>North Carolina Renewable Properties, LLC (100%)(NC 06.03.2010)
>RP-Orlando, LLC (100%)(DE 03.05.2010)
>Solar Star North Carolina I, LLC (100%)(DE 11.07.2008)
>Solar Star North Carolina II, LLC (100%)(DE 12.16.2009)
>Taylorsville Solar, LLC (100%)(DE 04.29.2010)
>Washington Millfield Solar, LLC (100%)(DE 05.23.2013)
>Texoma Wind Holdings, LLC (100%)(DE 10.11.2016)
>Texoma Wind, LLC (100%)(DE 10.11.2016)
>Frontier Windpower, LLC (100%)(DE 08.21.2015)
>Los Vientos Windpower III, LLC (100%)(DE 07.24.2013)
>Los Vientos Windpower IV, LLC (100%)(DE 07.24.2013)
>Los Vientos Windpower V, LLC (100%)(DE 07.24.2013)
>Duke Energy Renewables Solar I, LLC (100%)(DE 03.15.2019)
>Gato Montes Solar, LLC (100%)(DE 12.09.2011)
>RE AZ Holdings LLC (100%)(DE 10.11.2010)
>RE Ajo 1 LLC (100%)(DE 10.05.2009)
>RE Bagdad Solar 1 LLC (100%)(DE 08.13.2009)
>TX Solar I LLC (100%)(DE 05.27.2009)
>RE SFCity1 Holdco, LLC (100%)(DE 06.23.2010) acquired on 08.12.2013
>RE SFCity1 GP, LLC (100%)(DE 05.14.2009) acquired on 08.12.2013

>RE SFCity1, LP (99% owned by RE SFCity1 Holdco, LLC; 1% owned by RE
>SFCity1 GP, LLC) (DE 05.14.2009)
>Duke Energy Shoreham Holdings, LLC (100%)(DE 07.02.2018)
>Duke Energy Shoreham, LLC (100%)(DE 09.14.2017)
>Shoreham Energy Holdings, LLC (Class B Interests 100%) DE 09.15.2017)
>Shoreham Solar Commons LLC (100%)(DE 04.23.2015)
>Duke Energy Renewables Wind I, LLC (100%)(DE 03.15.2019)
>Ironwood-Cimarron Windpower Holdings, LLC (100%)(DE 12.08.2010)
>DS Cornerstone, LLC (50%)(DE 04.05.2012)
>Summit Wind Energy Mesquite Creek, LLC (100%)(DE 08.01.2013)
>Mesquite Creek Wind LLC (100%)(DE 09.12.2008)
>Free State Windpower, LLC (100%)(DE 02.01.2012)
>Ironwood Windpower, LLC (100%)(DE 12.08.2010)
>Cimarron Windpower II, LLC (100%)(DE 03.07.2011)
>Green Frontier Windpower Holdings, LLC (100%)(DE 02.22.2010)
>Green Frontier Windpower, LLC (100%)(DE 05.13.2010)
>Three Buttes Windpower, LLC (100%)(DE 08.26.2008)
>Silver Sage Windpower, LLC (100%)(DE 04.16.2007)
>Happy Jack Windpower, LLC (100%)(DE 10.27.2006)
>Kit Carson Windpower, LLC (100%)(DE 06.23.2009)
>Los Vientos Windpower IA Holdings, LLC (100%)(DE 01.27.2011)
>Los Vientos Windpower IA, LLC (100%)(DE 01.27.2011)
>Los Vientos Windpower IB Holdings, LLC (100%)(DE 08.02.2012)
>Los Vientos Windpower IB, LLC (100%)(DE 07.11.2011)
>Notrees Windpower, LP (99%)(DE 09.30.2005)
>Ocotillo Windpower, LP (99%)(DE 12.22.2004)
>TE Notrees, LLC (100%)(DE 09.30.2005)
>Notrees Windpower, LP (1%)(DE 09.30.2005)
>TE Ocotillo, LLC (100%)(DE 12.21.2004)
>Ocotillo Windpower, LP (1%)(DE 12.22.2004)
>North Allegheny Wind, LLC (100%)(DE 05.31.2006)
>Wind Star Holdings, LLC (100%)(DE 04.15.2014)
>Wind Star Renewables, LLC (100%)(DE 04.15.2014)
>Highlander Solar 1, LLC (100%)(DE 09.03.2010)
>Highlander Solar 2, LLC (100%)(DE 09.03.2010)
>Laurel Hill Wind Energy, LLC (100%)(PA 12.14.2004)
>Shirley Wind, LLC (100%)(WI 10.20.2006)
>Top of the World Wind Energy Holdings LLC (100%)(DE 11.15.2010)
>Top of the World Wind Energy LLC (100%)(DE 03.13.2008)
Cinergy Receivables Company, LLC (100%)(DE 01.10.2002)
Duke Energy Indiana, LLC (100%)(IN 09.06.1941)
>South Construction Company, Inc. (100%)(IN 05.31.1934)
Duke Energy Ohio, Inc. (100%)(OH 04.03.1837)
>Duke Energy Beckjord, LLC (100%)(DE 05.31.2012)
>Duke Energy Kentucky, Inc. (100%)(KY 03.20.1901)
>KO Transmission Company (100%)(KY 04.11.1994)
>Miami Power Corporation (100%)(IN 03.25.1930)
>Ohio Valley Electric Corporation (9%)(OH 10.01.1952)
>Tri-State Improvement Company (100%)(OH 01.14.1964)
Duke Energy SAM, LLC (100%)(DE 05.31.2012)
>Duke Energy Vermillion II, LLC (100%)(DE 10.14.2010)
Duke Energy Transmission Holding Company, LLC (100%)(DE 07.16.2008)
>Duke Energy Beckjord Storage LLC (100%)(DE 09.04.2013)

	>Duke-American Transmission Company, LLC (50%)(DE 04.11.2011) >Zephyr Power Transmission LLC (100%)(DE 12.05.2008) >DATC Midwest Holdings, LLC (100%)(DE 04.11.2012) >DATC Path 15 Transmission, LLC (100%)(DE 08.09.2006) >Path 15 Funding, LLC (100%)(DE 12.27.2002) >Path 15 Funding TV, LLC (100%)(DE 11.16.2004) >Path 15 Funding KBT, LLC (100%)(DE 09.21.2006) >DATC Holdings Path 15, LLC (47.326% owned by DATC Path 15 Transmission, LLC; 22.574% owned by Path 15 Funding KBT, LLC and 30.099% owned by Path 15 Funding, LLC)(DE 10.16.2002) >DATC Path 15, LLC (100%)(DE 10.16.2002) >DATC SLTP, LLC (100%)(DE 03.11.2019) >Pioneer Transmission, LLC (50%)(IN 07.31.2008) Duke Technologies, Inc. (100%)(DE 07.26.2000) >Duke Energy One, Inc. (100%)(DE 09.05.2000) >Cinergy Solutions Utility, Inc. (100%)(DE 09.27.2004) >DE1 Holdings, LLC (100%)(DE 10.10.2018) >Tangent Energy Solutions, Inc. (45%)(DE 02.13.2009) >Federal Way Powerhouse LLC (100%)(DE 10.26.2017) >Potter Road Powerhouse LLC (100%)(DE 01.27.2017) >Marzahl Powerhouse NJ LLC (100%)(DE 06.23.2016) >Duke Energy One Services, LLC (100%)(DE 09.19.2019) >Duke Energy Fuel Cell Holdings, LLC (100%)(DE 06.07.2019) >Duke Energy Fuel Cell, LLC (100%)(DE 06.07.2019) >Project Oxygen Holdings I, LLC (100%)(DE 06.28.2019) >Project Oxygen Holdings, LLC (Class B Interests 100%)(DE 06.07.2019) >2018 ESA Project Company, LLC (100%)(DE 11.17.2016) >Duke Investments, LLC (100%)(DE 07.25.2000) >Open Energy Solutions Inc. (24%)(DE 12.07.2016) >Duke Supply Network, LLC (100%)(DE 08.10.2000) Progress Fuels, LLC (100%)(DE 07.27.2017) >Kentucky May Coal Company, LLC (100%)(VA 11.27.1978) >Progress Synfuel Holdings, Inc. (100%)(DE 12.07.1999)
Duke Energy Clean Energy Resources, LLC (100%) (DE 09.09.2016)	N/A
Duke Energy Renewables NC Solar, LLC (100%) (DE 02.25.2010)	Emerald State Solar Holdings, LLC (100%)(DE 04.18.2016) >Emerald State Solar, LLC (100%)(DE 04.18.2016) >Bethel Price Solar, LLC (100%)(DE 10.11.2013) >Colonial Eagle Solar, LLC (100%)(DE 05.20.2014) >Conetoe II Solar, LLC (100%)(NC 04.28.2014) >Creswell Alligood Solar, LLC (100%)(DE 08.27.2014) >Dogwood Solar, LLC (100%)(DE 09.12.2012) >Everetts Wildcat Solar, LLC (100%)(DE 09.25.2014) >Fresh Air Energy X, LLC (100%)(NC 04.03.2014) >Garysburg Solar LLC (100%)(DE 09.24.2013) >Gaston Solar LLC (100%)(10.08.2013) >HXOap Solar One, LLC (100%)(NC 04.30.2013) >Long Farm 46 Solar, LLC (100%)(NC 09.22.2014) >Seaboard Solar LLC (100%)(DE 11.12.2013) >SolNCPower5, LLC (100%)(NC 10.17.2013) >SolNCPower6, LLC (100%)(NC 10.17.2013) >SolNCPower10, L.L.C. (100%)(NC 08.01.2014) >Tarboro Solar LLC (100%)(DE 08.26.2013) >Washington White Post Solar, LLC (100%)(DE 09.10.2012) >Windsor Cooper Hill Solar, LLC (100%)(DE 10.11.2013)

	>Winton Solar LLC (100%)(DE 09.23.2013) >Woodland Solar LLC (100%)(DE 09.19.2013) River Road Solar, LLC (100%)(NC 05.21.2014)
Duke Energy Pipeline Holding Company, LLC (100%) (DE 08.27.2014)	Duke Energy ACP, LLC (100%)(DE 08.27.2014) >Atlantic Coast Pipeline, LLC (40%)(DE 08.27.2014) Duke Energy Sabal Trail, LLC (100%)(DE 02.06.2015) >Sabal Trail Transmission, LLC (7.5%)(DE 05.10.2013) Piedmont ENCNG Company, LLC (100%)(NC 05.07.2003) >Piedmont Hardy Storage Company, LLC (1%) >Piedmont ACP Company, LLC (100%)(NC 08.27.2014) >Atlantic Coast Pipeline, LLC (7%) Piedmont Constitution Pipeline Company, LLC (100%)(NC 11.08.2012) >Constitution Pipeline Company, LLC (24%) DEPHCO Logistics, LLC (100%)(DE 12.06.2017)
Duke Energy Carolinas, LLC (100%) (NC 11.27.1963)	APOG, LLC (8.33%)(DE 06.22.2007) Advance SC LLC (100%)(SC 07.09.2004) Caldwell Power Company (100%)(NC 07.28.1921) Catawba Manufacturing and Electric Power Company (100%)(NC 10.15.1901) Claiborne Energy Services, Inc. (100%)(LA 03.01.1990) Duke Energy Receivables Finance Company, LLC (100%)(DE 07.16.2003) Eastover Land Company (100%)(KY 06.30.1970) Eastover Mining Company (100%)(KY 07.15.1970) Greenville Gas and Electric Light and Power Company (100%)(SC 01.28.1861) MCP, LLC (100%)(SC 08.18.2000) Piedmont Venture Partners Limited Partnership (10.64%)(NC 10.03.1996) Sandy River Timber, LLC (100%)(SC 10.26.2007) Southern Power Company (100%)(NC 12.30.1927) TBP Properties, LLC (100%)(SC 12.11.2006) TRES Timber, LLC (100%)(SC 12.11.2006) Wateree Power Company (100%)(SC 02.26.1909) Western Carolina Power Company (100%)(NC 09.10.1907)
Duke Energy Corporate Services, Inc. (100%) (DE 06.26.2008)	Duke Energy Business Services LLC (100%)(DE 11.18.1998) >Duke Energy Supply Company, LLC (100%) (DE 08.22.2019)
Duke Energy Registration Services, Inc. (100%) (DE 11.18.1998)	PanEnergy Corp. (100%)(DE 01.26.1981) >Duke Energy Services, Inc. (100%)(DE 06.08.1959) >DETMI Management, Inc. (100%)(CO 06.21.1994) >Duke Ventures Real Estate, LLC (100%)(DE 06.09.2009) >Century Group Real Estate Holdings, LLC (100%)(SC 02.06.2013) >DTMSI Management Ltd. (100%)(British Columbia 12.18.2009) >Duke Energy Services Canada ULC (31%)(British Columbia 09.17.2009) >Duke Ventures, LLC (100%)(NV 12.19.2000) >Dixilyn-Field Drilling Company (100%)(DE 01.31.1977) >Dixilyn-Field (Nigeria) Limited (100%)(Nigeria 11.14.1977) >Duke Energy Services Canada ULC (69%)(British Columbia 09.17.2009) >Eastman Whipstock do Brasil Ltda (100%)(Brazil 05.21.1979) >Energy Pipelines International Company (100%)(DE 04.28.1975) >Duke Energy China Corp. (100%)(DE 08.13.1976) Duke Energy Americas, LLC (100%)(DE 07.02.2004) >Duke Energy International, LLC (100%)(DE 09.18.1997) >Duke Energy Group Holdings, LLC (100%)(DE 04.29.2005) >Duke Energy Group, LLC (100%)(DE 12.22.1987) >Duke Energy Brazil Holdings I, C.V. (90%)(Netherlands) >Duke Energy International Uruguay Investments, S.R.L.(100%)(Uruguay) >Duke Energy Luxembourg II, LLC (100%)(DE 12.18.2017) >Duke Energy Brazil Holdings I, C.V. (10%)(Netherlands)

	>Duke Energy Arabian Limited (100%)(Gibraltar) >CTE Petrochemicals Company (35%)(Cayman) >National Methanol Company (50%)(Saudi Arabia) >CSCC Holdings Limited Partnership (100%)(British Columbia) >Duke Energy Merchants, LLC (100%)(DE 04.23.1999) >Duke Energy North America, LLC (100%)(DE 09.18.1997) Duke Energy Carolinas Plant Operations, LLC (100%)(DE 05.29.2001) >DE Nuclear Engineering, Inc. (100%)(NC 03.17.1969) Duke Energy Royal, LLC (100%)(DE 03.13.2002) Duke Project Services, Inc. (100%)(NC 07.01.1966) >D/FD Operating Services LLC (50.0001%)(DE 03.07.1996) >Duke/Fluor Daniel (50.0001%)(NC 09.01.1997) >D/FD Holdings, LLC (100%)(DE 12.15.2005) >Duke/Fluor Daniel El Salvador S.A. de C.V. (50%)(El Salvador) >Duke/Fluor Daniel International (50.0001%)(NV 09.01.1994) >Duke/Fluor Daniel Caribbean, S.E. (99%)(Puerto Rico 12.06.1996) >Duke/Fluor Daniel International Services (50.0001%)(NV 09.01.1994) >Duke/Fluor Daniel Caribbean, S.E. (0.50%)(Puerto Rico 12.06.1996) >Duke/Fluor Daniel International Services (Trinidad) Ltd. (100%)(Trinidad and Tobago 12.03.1998)
Progress Energy, Inc. (100%) (NC 08.19.1999)	Duke Energy Progress, LLC* (100%)(NC 04.06.1926) >APOG, LLC (8.33%)(DE 06.22.2007) >Capitan Corporation (100%)(TN 12.28.1931) >Carousel Capital Partners LP (3.07%)(DE 03.27.1996) >CaroFund, Inc. (100%)(NC 08.15.1995) >CaroHome, LLC (1%)(NC 04.21.1995) >Historic Property Management LLC (100%)(NC 12.09.1999) >CaroHome, LLC (99%)(NC 04.21.1995) >Grove Arcade Restoration LLC (99.99%)(NC 11.29.1999) >Baker House Apartments LLC (99.99%)(NC 01.26.1998) >HGA Development LLC (99.99%)(NC 12.09.1999) >Cedar Tree Properties LP (24.9849%)(WA 07.05.1994) >First Partners Corporate LP II (15.84%)(MA 11.26.1996) >Wilrik Hotel Apartments LLC (99.99%)(NC 03.14.1997) >PRAIRIE, LLC (99.99%)(NC 10.29.1998) >Duke Energy Progress Receivables LLC (100%)(DE 10.16.2013) >Kinetic Ventures I LLC (11.11%)(DE 04.18.1997) >Kinetic Ventures II, LLC (14.28%)(DE 12.15.1999) >Maxey Flats Site IRP, LLC (3.02%)(VA 05.05.1995) >NCEF Liquidating Trust** (4.99%) >Powerhouse Square, LLC (99.9%)(NC 01.13.1998) >Progress Energy EnviroTree, Inc. (50%)(NC 12.22.2003) >South Atlantic Private Equity Fund IV, LP (14.3294%)(DE 06.26.1997) >WNC Institutional Tax Credit Fund LP (99%)(CA 08.12.1994) Florida Progress, LLC (100%)(FL 01.21.1982) >Duke Energy Florida, LLC (100%)(FL 07.18.1899) >APOG, LLC (8.33%)(DE 06.22.2007) >Inflexion Fund, LP (16.78%)(DE 05.08.2002) >Progress Energy EnviroTree, Inc. (50%)(NC 12.22.2003) >Duke Energy Florida Project Finance, LLC (100%)(DE 01.05.2016) >Duke Energy Florida Receivables LLC (100%)(DE 01.27.2014) >Duke Energy Florida Solar Solutions, LLC (100%)(DE 02.25.2015) >Santa Fe Solar, LLC (100%)(DE 01.25.2019) >Florida Progress Funding Corporation (100%)(DE 03.18.1999) >Progress Capital Holdings, Inc. (100%)(FL 05.17.1988) >PIH, Inc.(100%)(FL 08.12.1997)

	>PIH Tax Credit Fund III, Inc. (100%)(FL 04.18.2001) >PIH Tax Credit Fund IV, Inc. (100%)(FL 04.18.2001) >McDonald Corporate Tax Credit Fund, LP (9%)(DE 07.12.1993) >PIH Tax Credit Fund V, Inc. (100%)(FL 04.18.2001) >National Corporate Tax Credit Fund VI, a California Limited Partnership 15.57743%)(CA 04.19.1996) >Progress Telecommunications Corporation (100%)(FL 10.15.1998) >PeakNet, LLC (55%)(DE 02.26.2010) >PT Holding Company, LLC (55%)(DE 01.17.2006) >PeakNet Services, LLC (100%)(DE 02.16.2006) Strategic Resource Solutions Corp. (100%)(NC 01.22.1996)
	* Duke Energy Progress, LLC (formerly known as Carolina Power & Light Company) is also the beneficial owner of several entities that were generally acquired through bankruptcy proceedings. These entities are not shown separately due to its minor ownership interest (generally <1%). As of December 31, 2009, it is believed CP&L owns a beneficial interest in the following entities: Air Nail Unsecured Creditors Liquid Trust, Creditors Reserve Trust, Heiling-Meyers Liquidating Trust, Estate of Jillian Entertainment, HA2003 Liquidating Trust, CFC Trust, Fleming Post Confirmation Trust, Bombay Liquidation Trust, USOP Liquidating LLC, ZB Company Liquidation Trust and ANC Liquidating Trust. ** NCEF Liquidating Trust, a business trust, holds the assets of The North Carolina Enterprise Fund Limited Partnership, now dissolved.
Piedmont Natural Gas Company, Inc. (100%) (reincorporated om NC02.25.1994)	Piedmont Energy Partners, Inc. (100%)(NC 01.30.1996) >Piedmont Energy Company (100%)(NC 01.11.1994) >Piedmont Interstate Pipeline Company (100%)(NC 09.08.1992) >Pine Needle LNG Company, LLC (45%) >Piedmont Intrastate Pipeline Company (100%)(NC 04.04.1994) >Cardinal Pipeline Company, LLC (21.49%) Piedmont Hardy Storage Company, LLC (99%)(NC 07.22.2004) >Hardy Storage Company, LLC (50%)

Source: Information Responses 3 and 71
*Denotes List of Duke Public Utilities Subject to Interlock Regulations under 18 C.F.R. § 45.2(b)(1)
*Denotes List of Duke Qualifying Facilities Subject to Annual FERC Form 561 Reports (under Section 305(c) of Federal Power Act)

Changes to Corporate Structure – fourth quarter 2019 – included:[9]

- *Entities Removed* – On December 17, 2019, Duke Energy Group, LLC (100%)(DE 12.22.1987) dissolved Duke Energy International (Europe) Holdings ApS (100%)(Denmark).
- *Entities Added:*
  - On October 24, 2019, Duke Energy Renewables Commercial, LLC (100%)(DE 12.16.2014) formed Westbound Solar 2, LLC (100%)(DE 10.24.2019).
  - On December 5, 2019, Duke Energy Renewables, Inc. (100%)(DE 02.11.1997) formed Duke Energy Renewables Storage, LLC (100%)(DE 12.05.2019).
  - On December 13, 2019, Duke Energy Renewables Solar Holdings, Inc. (100%)(DE 09.10.2019) formed DER Rambler Solar, LLC (100%)(DE 12.13.2019).
  - On December 13, 2019, DER Rambler Solar, LLC (100%)(DE 12.13.2019) formed Rambler Solar Holdings, LLC (100%)(DE 12.13.2019).

- *Entity Type Changes* – None.
- *Entities Restructured*
  - On November 8, 2019, Cinergy Corp. (100%)(DE 06.30.1993) contributed all of its interests in Duke Energy Breeze Holdings, LLC (100%)(DE 03.14.2019) and its subsidiaries, to Duke Energy Renewables Holding Company, LLC (100%)(DE 10.24.1994).
  - On November 18, 2019, Duke Energy Golden Vista, LLC (100%)(DE 08.01.2019) issued 100% of the Class A interests in Golden Vista Energy Holdings, LLC to Firstar Development, LLC. Duke Energy Golden Vista, LLC retained 100% of the Class B interests.
  - On November 18, 2019, Duke Energy Renewables Solar, LLC (100%)(DE 05.13.2010) contributed all of its interests in Lapetus Energy Project, LLC (100%)(DE 03.21.2017) to Duke Energy Renewables Solar Holdings, Inc. (100%)(DE 09.10.2019), which then contributed those interests to Duke Energy Golden Vista, LLC (100%)(DE 08.01.2019), which then contributed those interests to Golden Vista Energy Holdings, LLC (Class B Interests 100%)(DE 08.01.2019).
  - On November 18, 2019, Duke Energy Renewables Solar, LLC (100%)(DE 05.13.2010) contributed all of its interests in Palmer Solar LLC (100%)(DE 03.21.2017) to Duke Energy Renewables Solar Holdings, Inc. (100%)(DE 09.10.2019), which then contributed those interests to Duke Energy Golden Vista, LLC (100%)(DE 08.01.2019), which then contributed those interests to Golden Vista Energy Holdings, LLC (Class B Interests 100%)(DE 08.01.2019).
  - On December 5, 2019, REC Solar Commercial Corporation (100%)(DE 11.26.2013) contributed all of its interests in TES Anchor Solar 23, LLC (100%)(DE 01.25.2019) to Westbound Solar, LLC (100%)(DE 09.11.2018).
- *Name Changes* – None.

Products & Services among Affiliates

Included in *Chapter III – Cost Accumulation and Assignment and Cost Allocation Methodologies* is the services detailed in the service agreements described, which are listed in *Exhibit III-3* by the providing company.[10]

In this chapter, *Exhibit II-4*, *Exhibit II-5*, and *Exhibit II-6* for DEC, DEP, and Piedmont illustrates the products and services reported by each for 2018, although they also provided such information from 2014 to 2017 years.[11] Detailed information was also provided in other information responses provided by Duke Energy.[12]

Exhibit II-4
Products & Services Reported by Duke Energy Carolinas
2018

Duke Energy Business Services and DEP, DEF, and DEI to DEC

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
1	**Non-power Goods or Services Provided by Affiliated**			
2	Services provided by Duke Energy Business Services	Duke Energy Business Services, LLC	Various	1,024,462,669
3				
4	Customer & Market services	Duke Energy Progress, LLC	Various	16,105,686
5	Generation services	Duke Energy Progress, LLC	Various	27,184,363
6	Other goods and services	Duke Energy Progress, LLC	Various	3,991,897
7	Transmission and Distribution services	Duke Energy Progress, LLC	Various	29,411,338
8				
9	Customer & Market services	Duke Energy Florida, LLC	Various	1,684,166
10	Generation services	Duke Energy Florida, LLC	Various	1,464,607
11	Other goods and services	Duke Energy Florida, LLC	Various	344,153
12	Transmission and Distribution services	Duke Energy Florida, LLC	Various	4,126,047
13				
14	Customer & Market services	Duke Energy Indiana, LLC	Various	217,042
15	Generation services	Duke Energy Indiana, LLC	Various	640,461
16	Other goods and services	Duke Energy Indiana, LLC	Various	601,460
17	Transmission and Distribution services	Duke Energy Indiana, LLC	Various	1,906,836

DEC to Duke Energy Business Services, DEP, DEF, DEI, and DEK

20	**Non-power Goods or Services Provided for Affiliate**			
21	Services provided to DE Business Services, LLC	Duke Energy Business Services, LLC	Various	24,296,651
22				
23	Customer & Market services	Duke Energy Progress, LLC	Various	45,177,566
24	Generation services	Duke Energy Progress, LLC	Various	485,821,489
25	Other goods and services	Duke Energy Progress, LLC	Various	41,276,539
26	Transmission and Distribution services	Duke Energy Progress, LLC	Various	37,001,908
27				
28	Customer & Market services	Duke Energy Florida, LLC	Various	18,732,349
29	Generation services	Duke Energy Florida, LLC	Various	65,013,993
30	Other goods and services	Duke Energy Florida, LLC	Various	8,650,047
31	Transmission and Distribution services	Duke Energy Florida, LLC	Various	16,876,326
32				
33	Customer & Market services	Duke Energy Indiana, LLC	Various	20,720,683
34	Generation services	Duke Energy Indiana, LLC	Various	3,186,975
35	Other goods and services	Duke Energy Indiana, LLC	Various	3,383,342
36	Transmission and Distribution services	Duke Energy Indiana, LLC	Various	11,515,987
37				
38	Customer & Market services	Duke Energy Kentucky, Inc.	Various	3,472,555
39	Generation services	Duke Energy Kentucky, Inc.	Various	33,991,789
40	Other goods and services	Duke Energy Kentucky, Inc.	Various	864,510
41	Transmission and Distribution services	Duke Energy Kentucky, Inc.	Various	1,923,431

DEO, DEK, Piedmont, North/South Insurance, and Duke Energy Commercial Enterprises to DEC

1	**Non-power Goods or Services Provided by Affiliated**			
2	Customer & Market services	Duke Energy Ohio, Inc.	Various	212,730
3	Gas Distribution Services	Duke Energy Ohio, Inc.	Various	-902
4	Other goods and services	Duke Energy Ohio, Inc.	Various	394,965
5	Transmission and Distribution services	Duke Energy Ohio, Inc.	Various	1,826,191
6				
7	Customer & Market services	Duke Energy Kentucky, Inc.	Various	35,469
8	Gas Distribution Services	Duke Energy Kentucky, Inc	Various	-2,321
9	Generation services	Duke Energy Kentucky, Inc.	Various	3,462
10	Other goods and services	Duke Energy Kentucky, Inc.	Various	14
11	Transmission and Distribution services	Duke Energy Kentucky, Inc.	Various	545,532
12				
13	Gas Distribution Services	Piedmont Natural Gas Company, Inc.	Various	9,738,562
14				
15	Other goods and services	North/South Insurance Co		71,060,000
16				
17	Other goods and services	Duke Energy Commercial Enterprises	Various	946,153

DEC to DEO, Piedmont, Duke Energy One, Inc., Cinergy Solutions, Claiborne Energy Services, and Duke Energy Beckjord, LLC

20	**Non-power Goods or Services Provided for Affiliate**			
21	Customer & Market services	Duke Energy Ohio, Inc.	Various	20,819,469
22	Generation services	Duke Energy Ohio, Inc.	Various	279,585
23	Other goods and services	Duke Energy Ohio, Inc.	Various	886,814
24	Transmission and Distribution services	Duke Energy Ohio, Inc.	Various	7,578,593
25				
26	Customer & Market services	Piedmont Natural Gas Company, Inc.	Various	4,547,935
27	Generation services	Piedmont Natural Gas Company, Inc.	Various	187,798
28	Other goods and services	Piedmont Natural Gas Company, Inc.	Various	280,872
29	Transmission and Distribution services	Piedmont Natural Gas Company, Inc.	Various	9,115,143
30				
31	Other goods and services	Duke Energy One, Inc.	Various	251,681
32				
33	Other goods and services	Cinergy Solutions	Various	5,744,878
34				
35	Other goods and services	Claiborne Energy Services	Various	
36				
37	Other goods and services	Duke Energy Beckjord LLC	Various	1,043,705

Source: Information Response 5

Exhibit II-5
Products & Services Reported by Duke Energy Progress
2018

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
	Duke Energy Business Services and DEC, DEF, and DEI to DEP			
1	**Non-power Goods or Services Provided by Affiliated**			
2	Services provided by Duke Energy Business Services	Duke Energy Business Services, LLC	Various	653,980,133
3				
4	Customer & Market services	Duke Energy Carolinas, LLC	Various	45,177,566
5	Generation services	Duke Energy Carolinas, LLC	Various	485,821,489
6	Other goods and services	Duke Energy Carolinas, LLC	Various	41,276,539
7	Transmission and Distribution services	Duke Energy Carolinas, LLC	Various	37,001,908
8				
9	Customer & Market services	Duke Energy Florida, LLC	Various	1,441,381
10	Generation services	Duke Energy Florida, LLC	Various	286,717
11	Other goods and services	Duke Energy Florida, LLC	Various	393,876
12	Transmission and Distribution services	Duke Energy Florida, LLC	Various	8,287,069
13				
14	Customer & Market services	Duke Energy Indiana, LLC	Various	265,200
15	Generation services	Duke Energy Indiana, LLC	Various	27,218
16	Other goods and services	Duke Energy Indiana, LLC	Various	236,376
17	Transmission and Distribution services	Duke Energy Indiana, LLC	Various	2,902,261
	DEP to Duke Energy Business Services, DEC, DEF, DEI, and DEK			
20	**Non-power Goods or Services Provided for Affiliate**			
21	Services provided to DE Business Services, LLC	Duke Energy Business Services	Various	2,375,936
22				
23	Customer & Market services	Duke Energy Carolinas, LLC	Various	16,105,686
24	Generation services	Duke Energy Carolinas, LLC	Various	27,184,363
25	Other goods and services	Duke Energy Carolinas, LLC	Various	3,991,897
26	Transmission and Distribution services	Duke Energy Carolinas, LLC	Various	29,411,338
27				
28	Customer & Market services	Duke Energy Florida, LLC	Various	3,238,545
29	Generation services	Duke Energy Florida, LLC	Various	21,877,119
30	Other goods and services	Duke Energy Florida, LLC	Various	2,042,750
31	Transmission and Distribution services	Duke Energy Florida, LLC	Various	3,687,852
32				
33	Customer & Market services	Duke Energy Indiana, LLC	Various	1,709,980
34	Generation services	Duke Energy Indiana, LLC	Various	737,633
35	Other goods and services	Duke Energy Indiana, LLC	Various	949,941
36	Transmission and Distribution services	Duke Energy Indiana, LLC	Various	2,117,613
37				
38	Customer & Market services	Duke Energy Kentucky, Inc.	Various	228,021
39	Generation services	Duke Energy Kentucky, Inc.	Various	220,992
40	Other goods and services	Duke Energy Kentucky, Inc.	Various	294,834
41	Transmission and Distribution services	Duke Energy Kentucky, Inc.	Various	190,020

DEO, DEK, Piedmont, and Duke Energy Commercial Enterprises to DEP

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
1	**Non-power Goods or Services Provided by Affiliated**			
2				
3	Customer & Market services	Duke Energy Ohio, Inc.	Various	182,481
4	Gas Distribution services	Duke Energy Ohio, Inc.	Various	6,893
5	Other goods and services	Duke Energy Ohio, Inc.	Various	281,489
6	Transmission and Distribution services	Duke Energy Ohio, Inc.	Various	2,103,113
7				
8	Customer & Market services	Duke Energy Kentucky, Inc.	Various	52,001
9	Gas Distribution services	Duke Energy Kentucky, Inc.	Various	658
10	Generation services	Duke Energy Kentucky, Inc.	Various	18,432
11	Other goods and services	Duke Energy Kentucky, Inc.	Various	
12	Transmission and Distribution services	Duke Energy Kentucky, Inc.	Various	385,145
13				
14	Gas Distribution services	Piedmont Natural Gas Company, Inc.	Various	77,802,094
15				
16	Other goods and services	Duke Energy Commercial Enterprises	Various	1,085,322

DEP to DEO, Piedmont, and Cinergy Solutions

20	**Non-power Goods or Services Provided for Affiliate**			
21	Customer & Market services	Duke Energy Ohio, Inc.	Various	1,208,586
22	Generation services	Duke Energy Ohio, Inc.	Various	180,204
23	Other goods and services	Duke Energy Ohio, Inc.	Various	120,550
24	Transmission and Distribution services	Duke Energy Ohio, Inc.	Various	2,166,108
25				
26	Customer & Market services	Piedmont Natural Gas Company, Inc.	Various	26,837
27	Generation services	Piedmont Natural Gas Company, Inc.	Various	
28	Other goods and services	Piedmont Natural Gas Company, Inc.	Various	246,120
29	Transmission and Distribution services	Piedmont Natural Gas Company, Inc.	Various	125,028
30				
31	Other goods and services	Cinergy Solutions	Various	6,154,411

Source: Information Response 5

Exhibit II-6
Products & Services Reported by Piedmont
2018

Duke Energy Business Services and DEC, DEP, and DEF to Piedmont

1	**Non-power Goods or Services Provided by Affiliated**			
2	Services provided by Duke Energy Business Services	Duke Energy Business Services, LLC	Various	186,986,829
3				
4	Customer & Market services	Duke Energy Carolinas, LLC	Various	4,547,935
5	Generation services	Duke Energy Carolinas, LLC	Various	187,798
6	Other goods and services	Duke Energy Carolinas, LLC	Various	280,872
7	Transmission and Distribution services	Duke Energy Carolinas, LLC	Various	9,115,143
8				
9	Customer & Market services	Duke Energy Progress, LLC	Various	26,837
10	Generation services	Duke Energy Progress, LLC	Various	0
11	Other goods and services	Duke Energy Progress, LLC	Various	246,120
12	Transmission and Distribution services	Duke Energy Progress, LLC	Various	125,028
13				
14	Customer & Market services	Duke Energy Florida, LLC	Various	0
15	Generation services	Duke Energy Florida, LLC	Various	0
16	Other goods and services	Duke Energy Florida, LLC	Various	0
17	Transmission and Distribution services	Duke Energy Florida, LLC	Various	0

Piedmont to Duke Energy Business Services, DEC, DEF, DEI, DEK, and Various

20	**Non-power Goods or Services Provided for Affiliate**			
21	Services provided to DE Business Services, LLC	Duke Energy Business Services LLC	Various	4,073,256
22				
23	Gas Distribution Services	Duke Energy Carolinas, LLC	Various	9,738,562
24				
25	Gas Distribution Services	Duke Energy Progress, LLC	Various	77,802,094
26				
27	Gas Distribution Services	Duke Energy Florida, LLC	Various	
28				
29	Gas Distribution Services	Duke Energy Ohio, Inc.	Various	3,386,669
30				
31	Gas Distribution Services	Duke Energy Indiana, LLC	Various	
32				
33	Gas Distribution Services	Duke Energy Kentucky, Inc.	Various	983,372
34				
35	Other goods and services	Various	Various	102,487
36				
37				
38				
39				
40				
41				
42	TOTAL			96,086,440

Page 359

DEI, DEO, DEK, Various, and Piedmont Subsidiaries to Piedmont

1	Non-power Goods or Services Provided by Affiliated			
2	Customer & Market services	Duke Energy Indiana, LLC	Various	0
3	Generation services	Duke Energy Indiana, LLC	Various	0
4	Other goods and services	Duke Energy Indiana, LLC	Various	0
5	Transmission and Distribution services	Duke Energy Indiana, LLC	Various	0
6				
7	Customer & Market services	Duke Energy Ohio, Inc.	Various	0
8	Gas Distribution Services	Duke Energy Ohio, Inc.	Various	234,322
9	Other goods and services	Duke Energy Ohio, Inc.	Various	99,955
10	Transmission and Distribution services	Duke Energy Ohio, Inc.	Various	0
11				
12	Customer & Market services	Duke Energy Kentucky, Inc.	Various	0
13	Gas Distribution Services	Duke Energy Kentucky, Inc.	Various	0
14	Generation services	Duke Energy Kentucky, Inc.	Various	0
15	Other goods and services	Duke Energy Kentucky, Inc.	Various	0
16	Transmission and Distribution services	Duke Energy Kentucky, Inc.	Various	0
17				
18	Other goods and services	Various	Various	26,386
19				
20	Other goods and services	Piedmont Interstate Pipeline Company	80400	
21	Other goods and services	Piedmont Intrastate Pipeline Company	80400	
22	Other goods and services	Piedmont Hardy Storage Company	80400	
23				
24				201,877,225
25	TOTAL			

Piedmont to Others (None)

Source: Information Response 5

Also refer to *Chapter III – Cost Accumulation and Assignment and Cost Allocation Methodologies* for information regarding any analyses regarding use of external vendors for the development and delivery of services to Duke Energy companies and its operations,[13] plus any cost/benefit analyses performed during the last five years regarding provision of services by Duke Energy companies or its affiliates.[14] Duke Energy's *Category Management Overview* process description documentation describes information regarding any analyses regarding use of external vendors for the development and delivery of services to Duke Energy companies and its operations,[15] plus any cost/benefit analyses performed during the last five years regarding provision of services by Duke Energy companies or its affiliates.[16]

A category is a segmentation of recurring spend involving similar sourcing expertise and stakeholders. Supposedly categories may be further segmented into sub categories that are managed collectively and often sourced and supported by a common supply base. Category spend should be significant enough to merit active management on an enterprise-wide basis when requirements and sources of supply are the same.[17]

There is a Manager of Category Management, supported by seven category managers. There are 10 to 12 high level categories of purchases or spend, such as professional services, with sub-categories of engineering, administration, project management, IT developers, etc. It can be proactive or reactive; monitoring changes for components of items that are purchased (example – the price of the metal, copper, plastic, wire, and other components of transformers), such as:[18]

- PowerAdvocate – tool used to create RFPs, provides supplier intelligence; place for suppliers to register; search availability.
- Category Plan – includes spend profile, overview, executive summary, market drivers, key suppliers
- Benchmark studies for some categories, such as ILevel and Nature of Affiliate Transactions

Information provided by Duke Energy regarding "actual dollars and personnel equivalents, by functional category, for each associated regulated and/or non-regulated Duke Energy companies subsidiary, which was included through the Annual Report submitted by companies" says it shows the charges from DEBS or affiliates to DEC, DEP, and Piedmont itemized by charge category and service type. "Direct" charges were directly charged to affiliates, "Indirect" charges were assigned to affiliates via an allocation process, and "Accounting" indicates Accounting Only Transactions. The service types listed are as allowed under the agreements filed in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A, which can include:[19]

- Service Company Utility Service Agreement
- Operating Companies Service Agreement
- Inter-company Asset Transfer Agreement
- Operating Companies/Nonutility Companies Service Agreement

It also includes summary lists of approved services from FERC forms, which is before NCUC filings.[20]

Operations/2017 and 2018 Actual Dollars by Functional Category

2017 and 2018 actual dollars, by functional category, for each associated regulated and/or non-regulated Duke Energy companies subsidiary is illustrated in the following exhibits (*Exhibit II-7* through *Exhibit II-15*) for Duke Energy Carolinas (DEC), Duke Energy Progress (DEP), and Piedmont Natural Gas (Piedmont).[21]

Affiliate transactions are services for the affiliates and are recorded as such. According to Duke Energy management, recording a transaction, such as recording cash, is referred to as a "Accounting only" transaction and does not need to be allocated, as it is not a service.[22] For example, Accounting Transactions consist of cash outlays made by Duke Energy Business Services (DEBS) on behalf of the utilities, such as the cost of benefits for utility employees, corporate tax entries, and general accounting entries of the utility using a DEBS responsibility center. The Accounting Service Function represents the actual activities of maintaining the books and records of Duke Energy Corporation and its affiliates, preparing financial and statistical reports, preparing tax filings and supervising compliance with the laws and regulations.[23]

Charges to DEC, DEP, and Piedmont from Affiliates

Exhibit II-7
Affiliate Filing to NCUC for 2018
Summary of Charges to DEC, DEP, and Piedmont from Affiliates

Summary of Charges to DEC, DEP, and Piedmont from Affiliates, excluding Accounting Only Transactions

	To			
From	DE Carolinas	DE Progress	Piedmont Natural Gas	Total
DE Carolinas (non nuclear)	$ -	$ 534,811,099.89	$ 14,131,748.41	$ 548,942,848.30
DE Carolinas (nuclear)	-	74,466,402.21	-	74,466,402.21
DE Progress (non nuclear)	64,739,313.75	-	397,984.56	65,137,298.31
DE Progress (nuclear)	11,953,970.25	-	-	11,953,970.25
DE Florida (non nuclear)	7,594,831.05	10,403,623.06	10,242.33	18,008,696.44
DE Florida (nuclear)	24,141.69	5,419.68	-	29,561.37
DE Indiana (non nuclear)	3,365,799.07	3,431,054.74	163,760.55	6,960,614.36
DE Kentucky (non nuclear)	582,156.99	456,235.93	108,092.82	1,146,485.74
DE Ohio Regulated (non nuclear)	2,432,929.19	2,573,327.65	334,277.33	5,340,534.17
Piedmont Natural Gas (non nuclear)	9,738,562.14	77,802,094.35	-	87,540,656.49
DEBS (Direct)	601,064,136.19	379,016,905.13	112,481,596.84	1,092,562,638.16
DEBS (Indirect)	423,398,534.00	274,963,227.61	74,505,231.50	772,866,993.11
Bison Insurance Company	7,105,999.96	-	-	7,105,999.96
Duke En Commercial Enterprises	946,152.95	1,085,322.21	1,185.57	2,032,660.73
Duke Energy International Tota	6.60	-	-	6.60
Fleet	701,608.82	2,227,993.85	773.36	2,930,376.03
Grand Total	**$ 1,133,648,142.65**	**$ 1,361,242,706.31**	**$ 202,134,893.27**	**$ 2,697,025,742.23**

Source: Information Response 7 Schedule 1

Summary of Charges to DEC, DEP, and Piedmont from Affiliates - Accounting Transactions

	To			
From	DE Carolinas	DE Progress	Piedmont Natural Gas	Total
DE Carolinas (non nuclear)	$ -	$ 32,022,070.42	$ 235,268.63	$ 32,257,339.05
DE Carolinas (nuclear)	-	(12,685,386.33)	-	(12,685,386.33)
DE Progress (non nuclear)	738,691.68	-	1,835.36	740,527.04
DE Progress (nuclear)	(250,625.72)	-	-	(250,625.72)
DE Florida (non nuclear)	237,183.14	474,353.30	(4.26)	711,532.18
DE Indiana (non nuclear)	31,103.04	1,093,895.52	-	1,124,998.56
DE Kentucky (non nuclear)	153.05	748.25	-	901.30
DE Ohio Regulated (non nuclear)	14,940.92	(28,210.42)	-	(13,269.50)
Piedmont Gas - Customer	18,635.60	42,161.68	-	60,797.28
Piedmont Gas - Delivery	17,342.41	(142.78)	-	17,199.63
Piedmont Gas - Other	-	385.48	-	385.48
DEBS (Accounting)	326,119,872.96	(3,362,484,945.78)	112,176,856.31	(2,924,188,216.51)
Duke En Commercial Enterprises	(757,820.19)	43,377.06	13,283.12	(701,160.01)
Grand Total	**$ 326,169,476.89**	**$ (3,341,521,693.60)**	**$ 112,427,239.16**	**$ (2,902,924,977.55)**

Source: Information Response 7 Schedule 3

Exhibit II-8
Affiliate Filing to NCUC for 2017 and 2018
Summary of Charges to DEC from Affiliates

Summary of Charges to DEC from Affiliates, excluding Accounting Only Transactions

From	2018 Amount	2017 Amount	Variance
DE Progress (non nuclear)	$ 64,739,313.75	$ 44,895,767.88	$ 19,843,545.87
DE Progress (nuclear)	11,953,970.25	16,084,003.59	(4,130,033.34)
DE Florida (non nuclear)	7,594,831.05	5,712,819.50	1,882,011.55
DE Florida (nuclear)	24,141.69	39,484.79	(15,343.10)
DE Indiana (non nuclear)	3,365,799.07	1,306,263.90	2,059,535.17
DE Kentucky (non nuclear)	582,156.99	148,511.67	433,645.32
DE Ohio Regulated (non nuclear)	2,432,929.19	620,576.51	1,812,352.68
Piedmont Natural Gas (non nuclear)	9,738,562.14	11,615,008.99	(1,876,446.85)
DEBS (Direct)	601,064,136.19	708,946,389.52	(107,882,253.33)
DEBS (Indirect)	423,398,534.00	357,508,940.22	65,889,593.78
Bison Insurance Company	7,105,999.96	6,735,226.54	370,773.42
Duke En Commercial Enterprises	946,152.95	4,087.25	942,065.70
Duke Energy International	6.60	6.60	-
Fleet	701,608.82	251,361.80	450,247.02
Grand Total	**$ 1,133,648,142.65**	**$ 1,153,868,448.76**	**$ (20,220,306.11)**

Source: Information Response 7 Schedule 1.1

Summary of Charges to DEC from Affiliates - Accounting Transactions

From	2018 Amount	2017 Amount	Variance
DE Progress (non nuclear)	$ 738,691.68	$ 983,509.30	$ (244,817.62)
DE Progress (nuclear)	(250,625.72)	(288,170.51)	37,544.79
DE Florida (non nuclear)	237,183.14	276,379.92	(39,196.78)
DE Indiana (non nuclear)	31,103.04	51,111.84	(20,008.80)
DE Kentucky (non nuclear)	153.05	(0.36)	153.41
DE Ohio Regulated (non nuclear)	14,940.92	23,049.11	(8,108.19)
Piedmont Gas - Customer	18,635.60	(15.00)	18,650.60
Piedmont Gas - Delivery	17,342.41	(32.91)	17,375.32
DEBS (Accounting)	326,119,872.96	207,967,730.11	118,152,142.85
Duke En Commercial Enterprises	(757,820.19)	(6,819.00)	(751,001.19)
Grand Total	**$ 326,169,476.89**	**$ 209,006,742.50**	**$ 117,162,734.39**

Source: Information Response 7 Schedule 3.1

Exhibit II-9
Affiliate Filing to NCUC for 2017 and 2018
Summary of Charges to DEP from Affiliates

Summary of Charges to DEP from Affiliates, excluding Accounting Only Transactions

From	2018 Amount	2017 Amount	Variance
DE Carolinas (non nuclear)	$ 534,811,099.89	$ 401,795,145.42	$ 133,015,954.47
DE Carolinas (nuclear)	74,466,402.21	76,858,570.68	(2,392,168.47)
DE Florida (non nuclear)	10,403,623.06	3,770,325.83	6,633,297.23
DE Florida (nuclear)	5,419.68	10,043.51	(4,623.83)
DE Indiana (non nuclear)	3,431,054.74	578,497.24	2,852,557.50
DE Kentucky (non nuclear)	456,235.93	50,971.58	405,264.35
DE Ohio Regulated (non nuclear)	2,573,327.65	122,908.48	2,450,419.17
Piedmont Natural Gas (non nuclear)	77,802,094.35	76,729,026.01	1,073,068.34
DEBS (Direct)	379,016,905.13	259,987,102.26	119,029,802.87
DEBS (Indirect)	274,963,227.61	242,435,144.19	32,528,083.42
Duke En Commercial Enterprises	1,085,322.21	1,887.44	1,083,434.77
Duke Energy International	-	-	-
Fleet	2,227,993.85	1,756,359.25	471,634.60
Progress Other Non-Utility	-	(19,015.75)	19,015.75
Grand Total	**$ 1,361,242,706.31**	**$ 1,064,076,966.14**	**$ 297,165,740.17**

Source: Information Response 7 Schedule 1.2

Summary of Charges to DEP from Affiliates - Accounting Transactions

From	2018 Amount	2017 Amount	Variance
DE Carolinas (non nuclear)	$ 32,022,070.42	$ (41,427,030.90)	$ 73,449,101.32
DE Carolinas (nuclear)	(12,685,386.33)	24,948,396.14	(37,633,782.47)
DE Florida (non nuclear)	474,353.30	1,375,668.39	(901,315.09)
DE Indiana (non nuclear)	1,093,895.52	32,016.62	1,061,878.90
DE Kentucky (non nuclear)	748.25	224.18	524.07
DE Ohio Regulated (non nuclear)	(28,210.42)	36,759.44	(64,969.86)
Piedmont Gas - Customer	42,161.68	-	42,161.68
Piedmont Gas - Delivery	(142.78)	-	(142.78)
Piedmont Gas - Other	385.48	-	385.48
DEBS (Accounting)	(3,362,484,945.78)	(2,974,199,085.85)	(388,285,859.93)
Duke En Commercial Enterprises	43,377.06	(3,944.12)	47,321.18
Progress Other Non-Utility	-	(47.66)	47.66
Grand Total	**$ (3,341,521,693.60)**	**$ (2,989,237,043.76)**	**$ (352,284,649.84)**

Source: Information Response 7 Schedule 3.2

Exhibit II-10
Affiliate Filing to NCUC for 2017 and 2018
Summary of Charges to Piedmont from Affiliates

Summary of Charges to Piedmont from Affiliates, excluding Accounting Only Transactions

From	2018 Amount	2017 Amount	Variance
DE Carolinas (non nuclear)	$ 14,131,748.41	$ 479,391.84	$ 13,652,356.57
DE Progress (non nuclear)	397,984.56	584,798.59	(186,814.03)
DE Florida (non nuclear)	10,242.33	-	10,242.33
DE Indiana (non nuclear)	163,760.55	314,745.26	(150,984.71)
DE Kentucky (non nuclear)	108,092.82	-	108,092.82
DE Ohio Regulated (non nuclear)	334,277.33	-	334,277.33
DEBS (Direct)	112,481,596.84	20,565,690.51	91,915,906.33
DEBS (Indirect)	74,505,231.50	23,522,448.29	50,982,783.21
Duke En Commercial Enterprises	1,185.57	157,053.99	(155,868.42)
Fleet	773.36	-	773.36
Grand Total	**$ 202,134,893.27**	**$ 45,624,128.48**	**$ 156,510,764.79**

Source: Information Response 7 Schedule 1.3

Summary of Charges to Piedmont from Affiliates - Accounting Transactions

From	2018 Amount	2017 Amount	Variance
DE Carolinas (non nuclear)	$ 235,268.63	$ 107.00	$ 235,161.63
DE Progress (non nuclear)	1,835.36	-	1,835.36
DE Florida (non nuclear)	(4.26)	-	(4.26)
DE Indiana (non nuclear)	-	54,741.12	(54,741.12)
DEBS (Accounting)	112,176,856.31	16,565,297.10	95,611,559.21
Duke En Commercial Enterprises	13,283.12	562.00	12,721.12
Grand Total	**$ 112,427,239.16**	**$ 16,620,707.22**	**$ 95,806,531.94**

Source: Information Response 7 Schedule 3.3

Charges from DEC, DEP, and Piedmont to Affiliates

Exhibit II-11
Affiliate Filing to NCUC for 2018
Summary of Charges from DEC, DEP, and Piedmont to Affiliates

Summary of Charges from DEC, DEP, and Piedmont to Affiliates, excluding Accounting Only Transactions

	From			
To	DE Carolinas	DE Progress	Piedmont Natural Gas	Total
DE Carolinas (non nuclear)	$ -	$ 64,739,313.75	$ 9,738,562.14	$ 74,477,875.89
DE Carolinas (nuclear)	-	11,953,970.25	-	11,953,970.25
DE Progress (non nuclear)	534,811,099.89	-	77,802,094.35	612,613,194.24
DE Progress (nuclear)	74,466,402.21	-	-	74,466,402.21
DE Florida (non nuclear)	113,458,265.37	30,834,050.74	65,104.78	144,357,420.89
DE Florida (nuclear)	(4,185,550.38)	12,215.31	-	(4,173,335.07)
DE Indiana (non nuclear)	38,806,987.82	5,515,167.49	71,725.22	44,393,880.53
DE Kentucky (non nuclear)	40,252,286.09	933,866.67	983,372.39	42,169,525.15
DE Ohio Regulated (non nuclear)	29,564,461.01	3,675,448.27	3,386,669.20	36,626,578.48
Piedmont Natural Gas (non nuclear)	14,131,748.41	397,984.56	-	14,529,732.97
Duke Energy Business Services	24,296,651.27	2,375,935.52	4,073,254.83	30,745,841.62
Bethel Price Solar, LLC	800.61	-	-	800.61
Cinergy Solutions-Utility, Inc	5,744,877.97	6,154,411.14	-	11,899,289.11
Colonial Eagle Solar, LLC	5,384.01	-	-	5,384.01
Creswell Alligood Solar LLC	1,889.59	-	-	1,889.59
DE Pipeline Holding Co	-	-	(30.67)	(30.67)
DE Trnsmssn Hldng Cmpny	(7.69)	-	-	(7.69)
DE Trnsmssn Hldng Co, LLC	-	-	(62.50)	(62.50)
DEGS Holding Co Inc	-	-	(57.68)	(57.68)
Dogwood Solar LLC	661.74	-	-	661.74
Duke Energy ACP	-	132.13	-	132.13
Duke Energy Beckjord LLC	1,043,704.74	-	-	1,043,704.74
Duke Energy One, Inc.	251,681.07	236,243.34	-	487,924.41
Duke Energy Pipeline Holding	(7.70)	-	-	(7.70)
Duke Energy Renewable Services	2,142.20	2,275.51	-	4,417.71
Duke Energy Renewables, Inc.	(19,809.26)	-	-	(19,809.26)
Duke Investments, LLC	(12.59)	-	(0.77)	(13.36)
DukeEnergy Renewables Solar,L	31,441.50	-	-	31,441.50
Everetts Wildcat Solar LLC	1,111.47	-	-	1,111.47
Fresh Air Energy X LLC	1,451.94	-	-	1,451.94
Highlander Solar 1 LLC	226.69	-	-	226.69
Highlander Solar 2 LLC	233.73	-	-	233.73
HXOap Solar One, LLC	522.16	-	-	522.16
Kit Carson Windpower,LLC	2,812.37	-	-	2,812.37
KO Transmission Company	(15.56)	-	3,283.73	3,268.17
Longboat Solar LLC	455.51	-	-	455.51
PanEnergy Corp	(6.22)	-	(0.39)	(6.61)
Shirley Wind LLC	2,835.37	-	-	2,835.37
SolNCPower3, LLC	329.45	-	-	329.45
SolNCPower6 LLC	648.27	-	-	648.27
Top of the Wrld Wnd Enrgy, LLC	-	4.53	-	4.53
Windsor Cooper Hill Solar, LLC	309.48	-	-	309.48
Grand Total	$ 872,676,012.54	$ 126,831,019.21	$ 96,123,914.63	$ 1,095,630,946.38

Source: Information Response 7 Schedule 2

Summary of Charges from DEC, DEP, and Piedmont to Affiliates – Accounting Transactions

To	DE Carolinas	DE Progress	Piedmont Natural Gas	Total
DE Carolinas (non nuclear)	$ -	$ 738,691.68	$ 35,978.01	$ 774,669.69
DE Carolinas (nuclear)	-	(250,625.72)	-	(250,625.72)
DE Progress (non nuclear)	32,022,070.42	-	42,404.38	32,064,474.80
DE Progress (nuclear)	(12,685,386.33)	-	-	(12,685,386.33)
DE Florida (non nuclear)	(4,536,851.11)	(19,516,352.24)	-	(24,053,203.35)
DE Florida (nuclear)	(370,223.00)	-	-	(370,223.00)
DE Indiana (non nuclear)	(11,192,384.24)	1,179,809.04	-	(10,012,575.20)
DE Kentucky (non nuclear)	(2,577,149.23)	6,104.81	672,206.04	(1,898,838.38)
DE Ohio Regulated (non nuclear)	201,209.50	(25,731.58)	3,741,440.33	3,916,918.25
Piedmont Natural Gas (non nuclear)	235,268.63	1,835.36	-	237,103.99
Duke Energy Business Services	2,886,689.00	334,307.15	216,485.10	3,437,481.25
Cinergy Solutions-Utility, Inc	41,098.54	(32,624.60)	-	8,473.94
DE Commercial Enterprises Inc	20,886.18	-	-	20,886.18
Duke Energy ACP	-	0.44	-	0.44
Duke Energy Beckjord LLC	(1,354.18)	-	-	(1,354.18)
Duke Energy One, Inc.	(93,214.87)	-	-	(93,214.87)
Grand Total	$ 3,950,659.31	$ (17,564,585.66)	$ 4,708,513.86	$ (8,905,412.49)

Source: Information Response 7 Schedule 4

Exhibit II-12
Affiliate Filing to NCUC for 2017 and 2018
Summary of Charges from DEC to Affiliates

Summary of Charges from DEC to Affiliates, excluding Accounting Only Transactions

To	2018 Amount	2017 Amount	Variance
DE Progress (non nuclear)	$ 534,811,099.89	$ 401,795,145.42	$ 133,015,954.47
DE Progress (nuclear)	74,466,402.21	76,858,570.68	(2,392,168.47)
DE Florida (non nuclear)	113,458,265.37	72,901,265.07	40,557,000.30
DE Florida (nuclear)	(4,185,550.38)	(1,623,400.41)	(2,562,149.97)
DE Indiana (non nuclear)	38,806,987.82	113,169,644.68	(74,362,656.86)
DE Kentucky (non nuclear)	40,252,286.09	22,916,897.95	17,335,388.14
DE Ohio Regulated (non nuclear)	29,564,461.01	25,675,717.19	3,888,743.82
Piedmont Natural Gas (non nuclear)	14,131,748.41	479,391.84	13,652,356.57
Duke Energy Business Services	24,296,651.27	21,086,037.85	3,210,613.42
Bethel Price Solar, LLC	800.61	-	800.61
Black Mountain Solar LLC	-	1,545.77	(1,545.77)
Cinergy Solutions-Utility, Inc	5,744,877.97	1,972,941.29	3,771,936.68
Claiborne Energy Services	-	944,421.29	(944,421.29)
Colonial Eagle Solar, LLC	5,384.01	1,697.72	3,686.29
Conetoe II Solar LLC	-	1,546.99	(1,546.99)
Creswell Alligood Solar LLC	1,889.59	-	1,889.59
DE Tmsmssn Hldg Cmpny	(7.69)	(5,628.46)	5,620.77
Dogwood Solar LLC	661.74	-	661.74
Duke Energy ACP	-	84.32	(84.32)
Duke Energy Beckjord LLC	1,043,704.74	616,076.86	427,627.88
Duke Energy One, Inc.	251,681.07	298,771.82	(47,090.75)
Duke Energy Pipeline Holding	(7.70)	0.95	(8.65)
Duke Energy Renewable Services	2,142.20	44,620.85	(42,478.65)
Duke Energy Renewables, Inc.	(19,809.26)	112.46	(19,921.72)
Duke Investments, LLC	(12.59)	3.80	(16.39)
DukeEnergy Renewables Solar,L	31,441.50	(9,980.77)	41,422.27
Everetts Wildcat Solar LLC	1,111.47	-	1,111.47
Fresh Air Energy X LLC	1,451.94	-	1,451.94
Gato Montes Solar LLC	-	1,500.96	(1,500.96)
Happy Jack Windpower, LLC	-	1,380.10	(1,380.10)
Highlander Solar 1 LLC	226.69	1,420.61	(1,193.92)
Highlander Solar 2 LLC	233.73	1,414.22	(1,180.49)
HXOap Solar One, LLC	522.16	-	522.16
Kit Carson Windpower,LLC	2,812.37	4,381.20	(1,568.83)
KO Transmission Company	(15.56)	(5.94)	(9.62)
Laurel Hill Wind Energy, LLC	-	2,524.39	(2,524.39)
Longboat Solar LLC	455.51	1,484.67	(1,029.16)
Los Vientos Windpower III LLC	-	2,084.62	(2,084.62)
Los Vientos Windpower IV LLC	-	1,990.59	(1,990.59)
Mesquite Creek Wind LLC	-	2,728.85	(2,728.85)
North Allegheny Wind, LLC	-	1,960.68	(1,960.68)
Notrees Windpower, LP	-	4,448.97	(4,448.97)
PanEnergy Corp	(6.22)	0.95	(7.17)
Pioneer Transmission, LLC	-	5,371.54	(5,371.54)
Shirley Wind LLC	2,835.37	12,216.87	(9,381.50)
Silver Sage Windpower, LLC	-	1,282.50	(1,282.50)
SolNCPower3, LLC	329.45	-	329.45
SolNCPower6 LLC	648.27	-	648.27
Tarboro Solar LLC	-	543.02	(543.02)
Victory Solar LLC	-	3,920.40	(3,920.40)
Washington Airport Solar LLC	-	530.65	(530.65)
Washington Millfield Solar LLC	-	530.65	(530.65)
Washington White Post SolarLLC	-	530.65	(530.65)
Windsor Cooper Hill Solar, LLC	309.48	-	309.48
Winton Solar LLC	-	199.72	(199.72)
Woodland Solar LLC	-	199.72	(199.72)
Grand Total	**$ 872,676,012.54**	**$ 737,178,125.75**	**$ 135,497,886.79**

Source: Information Response 7 Schedule 2.1

Summary of Charges from DEC to Affiliates- Accounting Transactions

To	2018 Amount	2017 Amount	Variance
DE Progress (non nuclear)	$ 32,022,070.42	$ (41,427,030.90)	$ 73,449,101.32
DE Progress (nuclear)	(12,685,386.33)	24,948,396.14	(37,633,782.47)
DE Florida (non nuclear)	(4,536,851.11)	7,229,435.90	(11,766,287.01)
DE Florida (nuclear)	(370,223.00)	1,997,395.62	(2,367,618.62)
DE Indiana (non nuclear)	(11,192,384.24)	(2,384,559.44)	(8,807,824.80)
DE Kentucky (non nuclear)	(2,577,149.23)	3,732,017.37	(6,309,166.60)
DE Ohio Regulated (non nuclear)	201,209.50	(72,164.78)	273,374.28
Piedmont Natural Gas (non nuclear)	235,268.63	107.00	235,161.63
Duke Energy Business Services	2,886,689.00	2,270,073.90	616,615.10
Cinergy Solutions-Utility, Inc	41,098.54	(31.13)	41,129.67
Claiborne Energy Services	-	(3,735,241.28)	3,735,241.28
DE Carolinas, LLC (SEC)	-	(3,178,310.00)	3,178,310.00
DE Commercial Enterprises Inc	20,886.18	101,886.68	(81,000.50)
Duke Energy Beckjord LLC	(1,354.18)	(73,895.18)	72,541.00
Duke Energy One, Inc.	(93,214.87)	(2,081.23)	(91,133.64)
DukeEnergy Renewables Solar,L	-	2,274.63	(2,274.63)
Grand Total	**$ 3,950,659.31**	**$ (10,591,726.70)**	**$ 14,542,386.01**

Source: Information Response 7 Schedule 4.1

Exhibit II-13
Affiliate Filing to NCUC for 2017 and 2018
Summary of Charges from DEP to Affiliates

Summary of Charges from DEP to Affiliates, excluding Accounting Only Transactions

To	2018 Amount	2017 Amount	Variance
DE Carolinas (non nuclear)	$ 64,739,313.75	$ 44,895,767.88	$ 19,843,545.87
DE Carolinas (nuclear)	11,953,970.25	16,084,003.59	(4,130,033.34)
DE Florida (non nuclear)	30,834,050.74	17,152,656.42	13,681,394.32
DE Florida (nuclear)	12,215.31	6,768.94	5,446.37
DE Indiana (non nuclear)	5,515,167.49	4,606,506.45	908,661.04
DE Kentucky (non nuclear)	933,866.67	1,089,875.68	(156,009.01)
DE Ohio Regulated (non nuclear)	3,675,448.27	2,435,875.70	1,239,572.57
Piedmont Natural Gas (non nuclear)	397,984.56	584,798.59	(186,814.03)
Duke Energy Business Services	2,375,935.52	2,993,285.68	(617,350.16)
Cinergy Solutions-Utility, Inc	6,154,411.14	175,705.13	5,978,706.01
Commercial Power Services	-	1,417.22	(1,417.22)
Duke Energy ACP	132.13	-	132.13
Duke Energy One, Inc.	236,243.34	73,413.27	162,830.07
Duke Energy Renewable Services	2,275.51	35,971.14	(33,695.63)
KO Transmission Company	-	(0.35)	0.35
Top of the Wrld Wnd Enrgy, LLC	4.53	-	4.53
Grand Total	**$ 126,831,019.21**	**$ 90,136,045.34**	**$ 36,694,973.87**

Source: Information Response 7 Schedule 2.2

Summary of Charges from DEP to Affiliates - Accounting Transactions

To	2018 Amount	2017 Amount	Variance
DE Carolinas (non nuclear)	$ 738,691.68	$ 983,509.30	$ (244,817.62)
DE Carolinas (nuclear)	(250,625.72)	(288,170.51)	37,544.79
DE Florida (non nuclear)	(19,516,352.24)	176,026.95	(19,692,379.19)
DE Florida (nuclear)	-	(95,842.85)	95,842.85
DE Indiana (non nuclear)	1,179,809.04	169,990.63	1,009,818.41
DE Kentucky (non nuclear)	6,104.81	(84,958.13)	91,062.94
DE Ohio Regulated (non nuclear)	(25,731.58)	11,939.91	(37,671.49)
Piedmont Natural Gas (non nuclear)	1,835.36	-	1,835.36
Duke Energy Business Services	334,307.15	(408,538.13)	742,845.28
Cinergy Solutions-Utility, Inc	(32,624.60)	(192,891.00)	160,266.40
Duke Energy ACP	0.44	-	0.44
Grand Total	**$ (17,564,585.66)**	**$ 271,066.17**	**$ (17,835,651.83)**

Source: Information Response 7 Schedule 4.2

Exhibit II-14
Affiliate Filing to NCUC for 2017 and 2018
Summary of Charges from Piedmont to Affiliates

Summary of Charges from Piedmont to Affiliates, excluding Accounting Only Transactions

To	2018 Amount	2017 Amount	Variance
DE Carolinas (non nuclear)	$ 9,738,562.14	$ 11,615,008.99	$ (1,876,446.85)
DE Progress (non nuclear)	77,802,094.35	76,729,026.01	1,073,068.34
DE Florida (non nuclear)	65,104.78	134,543.80	(69,439.02)
DE Indiana (non nuclear)	71,725.22	28,317.99	43,407.23
DE Kentucky (non nuclear)	983,372.39	545,802.80	437,569.59
DE Ohio Regulated (non nuclear)	3,386,669.20	1,956,529.49	1,430,139.71
Duke Energy Business Services	4,073,254.83	4,657,881.91	(584,627.08)
Cinergy Solutions-Utility, Inc	-	97.47	(97.47)
DE Carolinas, LLC (SEC)	-	(525,841.01)	525,841.01
DE Pipeline Holding Co	(30.67)	3.41	(34.08)
DE Trnsmssn Hldng Co, LLC	(62.50)	10.23	(72.73)
DEGS Holding Co Inc	(57.68)	924.15	(981.83)
Duke Energy Renewable Services	-	100.00	(100.00)
Duke Investments, LLC	(0.77)	13.64	(14.41)
KO Transmission Company	3,283.73	112.72	3,171.01
PanEnergy Corp	(0.39)	6.82	(7.21)
Piedmont ACP, LLC	-	(422.23)	422.23
Piedmont Constitution Pipe Co	-	(346.39)	346.39
Piedmont Energy Company	-	220.00	(220.00)
Piedmont Energy Partners Inc	-	13,091.30	(13,091.30)
Piedmont Hardy Storage Company	-	(207.84)	207.84
Piedmont Interstate Pipe Co	-	(207.84)	207.84
Piedmont Intrastate Pipe Co	-	(207.84)	207.84
Grand Total	**$ 96,123,914.63**	**$ 95,154,457.58**	**$ 969,457.05**

Source: Information Response 7 Schedule 2.3

Summary of Charges from Piedmont to Affiliates - Accounting Transactions

To	2018 Amount	2017 Amount	Variance
DE Carolinas (non nuclear)	$ 35,978.01	$ (47.91)	$ 36,025.92
DE Progress (non nuclear)	42,404.38	-	42,404.38
DE Kentucky (non nuclear)	672,206.04	24,049.81	648,156.23
DE Ohio Regulated (non nuclear)	3,741,440.33	94,089.45	3,647,350.88
Duke Energy Business Services	216,485.10	10,013.49	206,471.61
Piedmont Constitution Pipe Co	-	3,140,596.40	(3,140,596.40)
Piedmont ENCNG Company, LLC	-	(11,168,082.00)	11,168,082.00
Piedmont Energy Company	-	19,837,574.45	(19,837,574.45)
Piedmont Energy Partners Inc	-	(40,832,132.53)	40,832,132.53
Piedmont Hardy Storage Company	-	(2,700,000.00)	2,700,000.00
Piedmont Interstate Pipe Co	-	981,744.95	(981,744.95)
Piedmont Intrastate Pipe Co	-	(1,769,118.52)	1,769,118.52
Progress Energy Inc	-	(6,407,661.44)	6,407,661.44
Grand Total	**$ 4,708,513.86**	**$ (38,788,973.85)**	**$ 43,497,487.71**

Source: Information Response 7 Schedule 4.3

Charges from DEBS to Affiliates

Schedule 5 – Summary of DEBS Charges to Affiliates by Category and Service, shows the charges from DEBS to DEC, DEP, and Piedmont itemized by charge category and service type. "Direct" charges were directly charged to affiliates, "Indirect" charges were assigned to affiliates via an allocation process, and "Accounting" indicates accounting only transactions. The service types listed are as allowed under the Service Company Utility Service Agreement filed in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A.[24]

Exhibit II-15
Affiliate Filing to NCUC for 2018
DEBS Charges to DEC, DEP, and Piedmont

DEBS Charges to DEC by Category and Service

	Category of Charge			
To	Direct	Indirect	Accounting	Total
Accounting	$ 25,498,112.47	$ 97,798,771.60	$ 23,159,165.50	$ 146,456,049.57
Electric System Maintenance	2,002,360.54	9,797,953.21	-	11,800,313.75
Electric Transmission & Distribution				
Engineering & Construction	45,248,645.56	2,685,002.97	-	47,933,648.53
Environmental, Health and Safety	28,718,017.55	8,118,449.67	-	36,836,467.22
Executive	2,981,277.08	20,072,033.30	29,032,061.47	52,085,371.85
Facilities	60,664,196.68	17,112,315.55	-	77,776,512.23
Facilities Rate of Return Allocation	-	821,599.28	-	821,599.28
Finance	3,007,682.73	19,857,992.24	-	22,865,674.97
Fuels	186,656.53	902,809.69	-	1,089,466.22
Human Resources	9,551,397.59	18,611,884.56	273,928,645.99	302,091,928.14
Information Systems	110,124,678.67	100,068,411.32	-	210,193,089.99
Interest	-	3,523,870.73	-	3,523,870.73
Internal Auditing	-	3,192,626.29	-	3,192,626.29
Investor Relations	2,343.35	2,027,014.16	-	2,029,357.51
Legal	22,789,696.90	12,182,348.90	-	34,972,045.80
Marketing and Customer Relations	90,544,426.75	58,733,189.80	-	149,277,616.55
Meters	78,530,500.64	-	-	78,530,500.64
Nuclear Development	1,532,816.27	-	-	1,532,816.27
Overhead Allocation (Gov)	-	(2,279,657.18)	-	(2,279,657.18)
Planning	14,969,124.72	8,719,974.88	-	23,689,099.60
Power Engineering & Construction	10,729,597.51	3,126.34	-	10,732,723.85
Power Planning and Operations	27,048,782.43	9,612,481.12	-	36,661,263.55
Public Affairs	12,930,610.13	14,153,219.36	-	27,083,829.49
Rates	993,574.62	4,649.03	-	998,223.65
Rights of Way	1,104,468.87	154,433.23	-	1,258,902.10
Supply Chain	47,697,611.81	12,754,255.14	-	60,451,866.95
Transportation	4,207,556.79	4,769,778.81	-	8,977,335.60
Grand Total	**$ 601,064,136.19**	**$ 423,398,534.00**	**$ 326,119,872.96**	**$ 1,350,582,543.15**

Source: Information Response 7 Schedule 5.1

DEBS Charges to DEP by Category and Service

	Category of Charge			
To	Direct	Indirect	Accounting	Total
Accounting	$ 14,510,622.35	$ 64,478,310.74	$ (3,521,619,405.72)	$ (3,442,630,472.63)
Electric System Maintenance	833,817.49	6,206,770.43	-	7,040,587.92
Electric Transmission & Distribution				
Engineering & Construction	21,814,933.02	1,772,073.29	-	23,587,006.31
Environmental, Health and Safety	12,165,287.03	5,355,045.70	-	17,520,332.73
Executive	1,843,945.67	13,234,319.48	13,730,840.76	28,809,105.91
Facilities	37,024,910.95	12,204,240.07	-	49,229,151.02
Facilities Rate of Return Allocation	-	541,777.62	-	541,777.62
Finance	1,478,788.81	13,092,995.63	-	14,571,784.44
Fuels	-	834,958.90	-	834,958.90
Human Resources	4,724,282.46	13,267,734.36	145,403,619.18	163,395,636.00
Information Systems	55,665,013.85	67,253,491.24	-	122,918,505.09
Interest	-	1,710,836.29	-	1,710,836.29
Internal Auditing	13,293.66	2,105,276.01	-	2,118,569.67
Investor Relations	3,255.88	1,336,650.16	-	1,339,906.04
Legal	21,181,695.34	7,929,964.16	-	29,111,659.50
Marketing and Customer Relations	40,534,397.26	31,593,169.41	-	72,127,566.67
Meters	65,539,468.00	-	-	65,539,468.00
Nuclear Development	253,887.01	-	-	253,887.01
Overhead Allocation (Gov)	-	(1,423,328.95)	-	(1,423,328.95)
Planning	9,325,543.89	5,748,052.62	-	15,073,596.51
Power Engineering & Construction	10,354,949.12	3,519.38	-	10,358,468.50
Power Planning and Operations	8,430,784.27	7,908,692.05	-	16,339,476.32
Public Affairs	9,341,534.69	9,383,830.93	-	18,725,365.62
Rates	854,662.05	3,331.59	-	857,993.64
Rights of Way	1,039,529.45	74,398.62	-	1,113,928.07
Supply Chain	32,911,701.93	7,201,838.56	-	40,113,540.49
Transportation	29,170,600.95	3,145,279.32	-	32,315,880.27
Grand Total	**$ 379,016,905.13**	**$ 274,963,227.61**	**$ (3,362,484,945.78)**	**$ (2,708,504,813.04)**

Source: Information Response 7 Schedule 5.2

DEBS Charges to Piedmont by Category and Service

To	Category of Charge Direct	Indirect	Accounting	Total
Accounting	$ 2,790,062.78	$ 33,716,846.84	$ 75,608,406.46	$ 112,115,316.08
Electric System Maintenance	239,034.31	-	-	239,034.31
Electric Transmission & Distribution				
Engineering & Construction	15,582,715.71	-	-	15,582,715.71
Environmental, Health and Safety	1,935,254.69	1,263,253.85	-	3,198,508.54
Executive	4,190,195.00	3,100,642.32	3,410,010.85	10,700,848.17
Facilities	17,696,608.20	4,414,101.72	-	22,110,709.92
Facilities Rate of Return Allocation	-	126,917.50	-	126,917.50
Finance	4,718,303.93	3,067,374.19	-	7,785,678.12
Fuels	-	-	-	-
Human Resources	689,525.69	4,232,413.93	33,158,439.00	38,080,378.62
Information Systems	36,157,014.93	17,533,362.71	-	53,690,377.64
Interest	-	100,232.83	-	100,232.83
Internal Auditing	-	493,184.80	-	493,184.80
Investor Relations	-	313,125.40	-	313,125.40
Legal	4,182,619.41	1,857,857.81	-	6,040,477.22
Marketing and Customer Relations	18,525,693.12	-	-	18,525,693.12
Meters	15,405.26	-	-	15,405.26
Nuclear Development	-	-	-	-
Overhead Allocation (Gov)	-	(191,532.33)	-	(191,532.33)
Planning	182,848.90	1,347,035.92	-	1,529,884.82
Power Engineering & Construction	-	1,387.61	-	1,387.61
Power Planning and Operations	193,484.53	-	-	193,484.53
Public Affairs	2,989,094.68	2,377,740.69	-	5,366,835.37
Rates	2,757.17	1,569.63	-	4,326.80
Rights of Way	-	-	-	-
Supply Chain	2,895,919.61	12,898.74	-	2,908,818.35
Transportation	(504,941.08)	736,817.34	-	231,876.26
Grand Total	$ 112,481,596.84	$ 74,505,231.50	$ 112,176,856.31	$ 299,163,684.65

Source: Information Response 7 Schedule 5.3

Operations/2014-2018 Actual and Budget Affiliate Transactions

Exhibit II-16 shows actual affiliate transactions from DEC, DEP, and Piedmont to affiliates, *Exhibit II-17* shows affiliate transactions to DEC, DEP, and Piedmont from affiliates, and *Exhibit II-18* and *Exhibit II-19* shows affiliate transactions from DEBS to DEC, DEP, and Piedmont.[25] We only have 2014 to 2018 data as the 2019 annual report not has yet been filed, which was possibly by Memorial Day, but Schumaker & Company has not yet been provided 2019 data.[26]

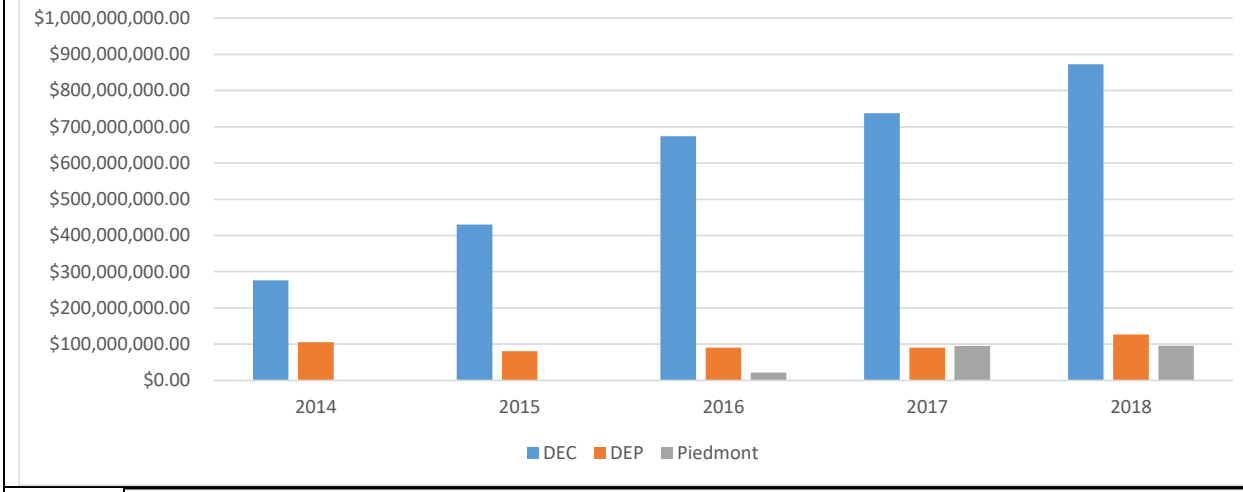
Sample transactions were reviewed by Schumaker & Company consultants, which is discussed in *Chapter III- Cost Accumulation and Assignment/Cost Allocation Methodologies*.

Other issues include:

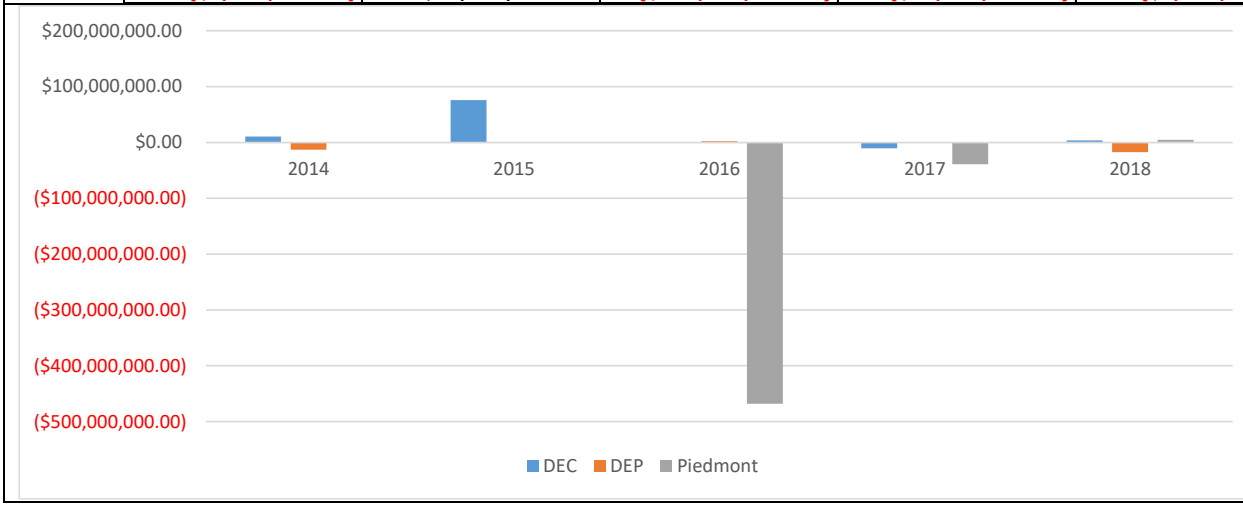
- Budget information was not included, as that type of information is not provided to NCUC.[27]
- Also capital expenditures were not included,[28] as *Exhibit II-16, Exhibit II-17, Exhibit II-18*, or *Exhibit II-19* shows affiliate transactions from DEBS to DEC, DEP, and Piedmont, but does not include any capital expenditures.

Exhibit II-16
Actual Affiliate Transactions from DEC, DEP, and Piedmont to Affiliates
2014-2018

	To Affiliates From Excluding Accounting Transactions				
	2014	**2015**	**2016**	**2017**	**2018**
DEC	$276,045,120.14	$430,207,373.49	$674,053,250.45	$737,178,125.75	$872,676,012.54
DEP	$105,507,013.20	$80,948,494.00	$90,643,729.85	$90,136,045.34	$126,831,019.21
Piedmont			$21,792,973.79	$95,154,457.58	$96,123,914.63
Total	**$381,552,133.34**	**$511,155,867.49**	**$786,489,954.09**	**$922,468,628.67**	**$1,095,630,946.38**



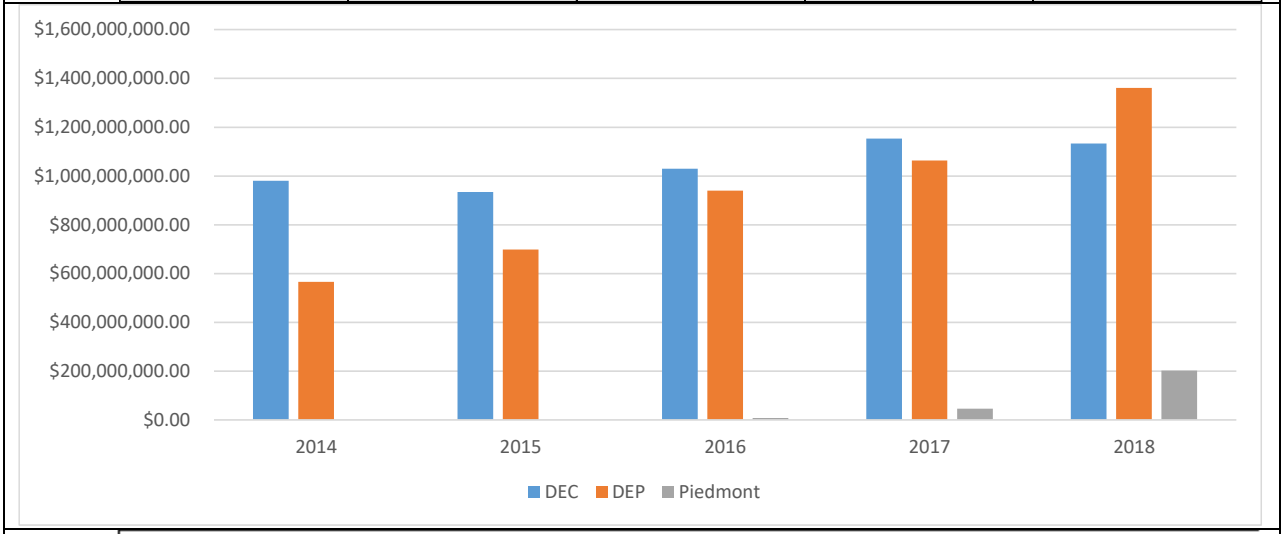
	To Affiliates From Accounting Transactions				
	2014	**2015**	**2016**	**2017**	**2018**
DEC	$10,506,670.36	$75,936,392.54	$936,066.71	($10,591,726.70)	$3,950,659.3
DEP	($13,167,531.61)	($44,198.93)	$2,289,243.37	$271,066.17	($17,564,585.6
Piedmont			($468,010,395.61)	($38,788,973.85)	$4,708,513.3
Total	**($2,660,861.25)**	**$75,892,193.61**	**($464,785,085.53)**	**($49,109,634.38)**	**($8,905,412.4**



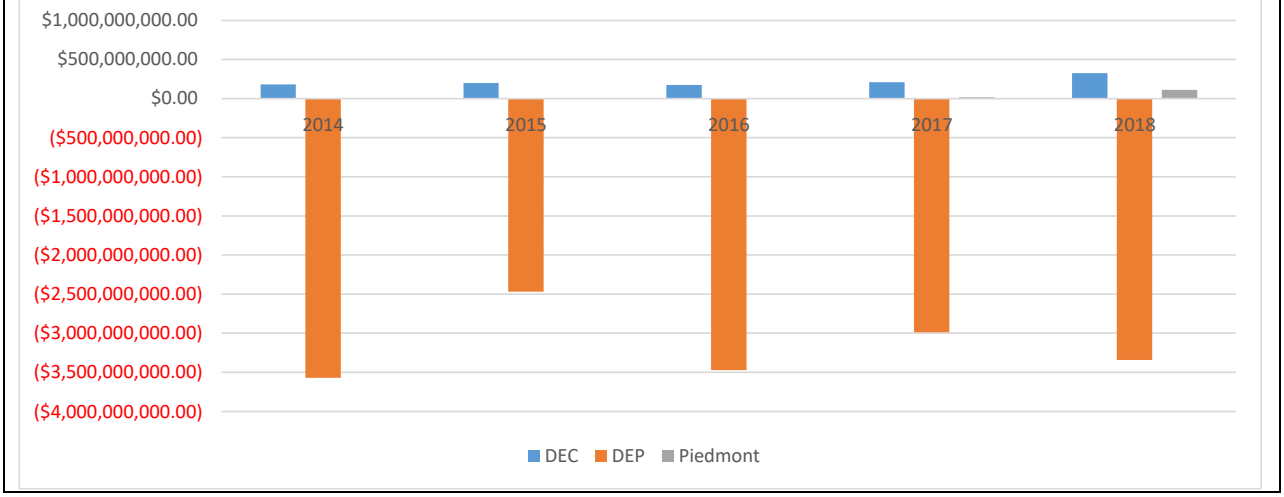
Source: Information Response 8

Exhibit II-17
Actual Affiliate Transactions from Affiliates to DEC, DEP, and Piedmont
2014-2018

	From Affiliates To Excluding Accounting Transactions				
	2014	**2015**	**2016**	**2017**	**2018**
DEC	$980,611,942.04	$934,821,564.40	$1,029,290,305.79	$1,153,868,448.76	$1,133,648,142.65
DEP	$565,361,209.20	$698,642,302.72	$940,181,780.31	$1,064,076,966.14	$1,361,242,706.31
Piedmont			$7,102,031.37	$45,624,128.48	$202,134,893.27
Total	**$1,545,973,151.24**	**$1,633,463,867.12**	**$1,976,574,117.47**	**$2,263,569,543.38**	**$2,697,025,742.23**



	From Affiliates To Accounting Transactions				
	2014	**2015**	**2016**	**2017**	**2018**
DEC	$181,131,424.40	$200,680,982.90	$175,749,633.36	$209,006,742.50	$326,169,476.89
DEP	($3,569,302,419.21)	($2,469,323,980.80)	($3,470,235,703.56)	($2,989,237,043.76)	($3,341,521,693.60)
Piedmont			$3,174,317.26	$16,620,707.22	$112,427,239.16
Total	**($3,388,170,994.81)**	**($2,268,642,997.90)**	**($3,291,311,752.94)**	**($2,763,609,594.04)**	**($2,902,924,977.55)**



Source: Information Response 8

Exhibit II-18
Actual Affiliate Transactions from DEBS to DEC, DEP, and Piedmont
2014-2018

	From DEBS To DEC				
	2014	**2015**	**2016**	**2017**	**2018**
Direct	$497,369,707.59	$482,461,256.16	$562,895,008.83	$708,946,389.52	$601,064,136.19
Indirect	$385,888,844.47	$382,671,504.39	$380,614,774.65	$357,508,940.22	$423,398,534.00
Accounting	$179,240,936.33	$199,529,404.64	$174,505,889.19	$207,967,730.11	$326,119,872.96
Total	**$1,062,499,488.39**	**$1,064,662,165.19**	**$1,118,015,672.67**	**$1,274,423,059.85**	**$1,350,582,543.15**

	From DEBS To DEP				
	2014	**2015**	**2016**	**2017**	**2018**
Direct	$209,102,933.23	$206,361,278.88	$222,429,805.62	$259,987,102.26	$379,016,905.13
Indirect	$226,249,079.09	$235,556,152.81	$239,741,520.61	$242,435,144.19	$2,745,963,227.61
Accounting	($3,575,514,897.41)	($2,539,019,156.67)	($3,461,771,009.96)	($2,974,199,085.85)	($3,362,484,945.78)
Total	**($3,140,162,885.09)**	**($2,097,101,724.98)**	**($2,999,599,683.73)**	**($2,471,776,839.40)**	**($237,504,813.04)**

	From DEBS To Piedmont				
	2014	**2015**	**2016**	**2017**	**2018**
Direct			$5,422,564.44	$20,565,690.51	$112,481,596.84
Indirect			$1,673,908.05	$23,522,448.29	$74,505,231.50
Accounting			$3,174,317.26	$16,565,297.10	$112,176,856.31
Total	**$0.00**	**$0.00**	**$10,270,789.75**	**$60,653,435.90**	**$299,163,684.65**

Source: Information Response 8

Exhibit II-19
Actual Affiliate Transactions from DEBS to DEC, DEP, and Piedmont
2014-2018

Source: Information Response 8

Capital Expenditures

As previously discussed, no capital expenditures were included in affiliate transactions, but one can refer to *Chapter IV – Capital Allocation among Subsidiaries* for detailed information and data regarding capital structure, including capitalization.

Asset or Personnel Transfers

Personnel Transfers

When Schumaker & Company requested "actual dollars and personnel equivalents, by functional category, for each associated regulated and/or non-regulated Duke Energy companies subsidiary," no personnel equivalents were included, but supposedly only would change what currently reporting, however, they're not considered affiliate transactions.[29] Schumaker & Company requested a description of the number of personnel transfers from/to DEC, DEP, Piedmont, and other affiliates by year for 2014 to 2019, as not included in IR#7 response.[30]

When we got the IR#56 response, the Manager, HR Reporting indicated that "I've pulled all changes in company (removing what I feel is obviously extraneous – ex retirees change company or contractor to employee conversions). The report should cover "other affiliates" since it has changes in all companies."

The Manager, HR Reporting indicated that approximately 5,781 transfers occurred from 2014 to 2019 regarding "duplicates removed" data and 9,423 transfers occurred from 2014 to 2019 regarding "transfers-detail" data,[31] as illustrated in *Exhibit II-20* and *Exhibit II-21*.[32]

Exhibit II-20
Duplicates Removed

2014	FROM	TO
DEBS	92	1,468
DEBS, LLC	0	81
DEC, LLC	337	261
DEP, LLC	0	0
DEP, INC	491	97
PESC	968	4
SNG PESC	0	1
Piedmont	0	0
Piedmont	66	14
DEF, LLC	0	0
DEF, INC	25	14
DEI, INC	0	0
DEI, LLC	0	0
DEO, INC	1	0
DEK, INC	0	0
DECE	0	0
DECE	13	3
DE&S	1	0
NCNG	8	59
2014 Total	2,002	2,002

2015	FROM	TO
DEBS	231	146
DEBS, LLC	0	3
DEC, LLC	141	477
DEP, LLC	71	51
DEP, INC	254	33
PESC	3	0
SNG PESC	0	0
Piedmont	0	0
Piedmont	0	1
DEF, LLC	3	10
DEF, INC	16	3
DEI, INC	1	0
DEI, LLC	0	0
DEO, INC	0	5
DEK, INC	0	0
DECE	0	0
DECE	14	5
DE&S	0	0
NCNG	0	0
2015 Total	734	734

2016	FROM	TO
DEBS	301	148
DEBS, LLC	0	0
DEC, LLC	215	374
DEP, LLC	116	89
DEP, INC	0	0
PESC	0	0
SNG PESC	0	0
Piedmont	0	0
Piedmont	0	1
DEF, LLC	31	30
DEF, INC	0	0
DEI, INC	0	0
DEI, LLC	5	31
DEO, INC	3	1
DEK, INC	0	0
DECE	0	0
DECE	4	1
DE&S	0	0
NCNG	0	0
2016 Total	675	675

2017	FROM	TO
DEBS	169	147
DEBS, LLC	0	30
DEC, LLC	186	245
DEP, LLC	121	82
DEP, INC	0	0
PESC	0	0
SNG PESC	0	0
Piedmont	0	1
Piedmont	26	2
DEF, LLC	36	24
DEF, INC	0	0
DEI, INC	0	0
DEI, LLC	5	4
DEO, INC	0	5
DEK, INC	0	0
DECE	0	1
DECE	2	4
DE&S	0	0
NCNG	0	0
2017 Total	545	545

2018	FROM	TO
DEBS	0	0
DEBS, LLC	249	447
DEC, LLC	297	356
DEP, LLC	191	120
DEP, INC	0	0
PESC	0	0
SNG PESC	0	0
Piedmont	204	36
Piedmont	0	0
DEF, LLC	51	40
DEF, INC	0	0
DEI, INC	0	0
DEI, LLC	7	7
DEO, INC	5	3
DEK, INC	0	0
DECE	7	2
DECE	0	0
DE&S	0	0
NCNG	0	0
2018 Total	1,011	1,011

2019	FROM	TO
DEBS	0	0
DEBS, LLC	260	193
DEC, LLC	257	387
DEP, LLC	192	146
DEP, INC	0	0
PESC	0	0
SNG PESC	0	0
Piedmont	46	32
Piedmont	0	0
DEF, LLC	46	40
DEF, INC	0	0
DEI, INC	0	0
DEI, LLC	5	10
DEO, INC	7	4
DEK, INC	1	0
DECE	0	2
DECE	0	0
DE&S	0	0
NCNG	0	0
2019 Total	814	814

Source: Information Response 56

Exhibit II-21
Transfer Details

2014	FROM	TO
DEBS	151	2,829
DEBS, LLC	0	81
DEC, LLC	481	478
DEP, LLC	0	0
DEP, INC	982	159
PESC	1,913	4
SNG PESC	0	1
Piedmont	0	0
Piedmont	67	16
DEF, LLC	0	0
DEF, INC	37	32
DEI, INC	0	0
DEI, LLC	0	0
DEO, INC	2	0
DEK, INC	0	0
DECE	0	0
DECE	27	10
DE&S	2	0
NCNG	8	60
2014 Total	3,670	3,670

2016	FROM	TO
DEBS	429	244
DEBS, LLC	0	0
DEC, LLC	336	558
DEP, LLC	220	144
DEP, INC	0	0
PESC	0	0
SNG PESC	0	0
Piedmont	0	0
Piedmont	0	4
DEF, LLC	48	53
DEF, INC	0	0
DEI, INC	0	0
DEI, LLC	6	41
DEO, INC	3	1
DEK, INC	0	0
DECE	0	0
DECE	7	4
DE&S	0	0
NCNG	0	0
2016 Total	1,049	1,049

2018	FROM	TO
DEBS	0	0
DEBS, LLC	353	816
DEC, LLC	355	494
DEP, LLC	236	150
DEP, INC	0	0
PESC	0	0
SNG PESC	0	0
Piedmont	542	50
Piedmont	0	0
DEF, LLC	73	57
DEF, INC	0	0
DEI, INC	0	0
DEI, LLC	12	12
DEO, INC	9	3
DEK, INC	0	0
DECE	7	5
DECE	0	0
DE&S	0	0
NCNG	0	0
2018 Total	1,587	1,587

2015	FROM	TO
DEBS	345	237
DEBS, LLC	0	3
DEC, LLC	240	691
DEP, LLC	121	99
DEP, INC	345	46
PESC	3	0
SNG PESC	0	0
Piedmont	0	0
Piedmont	0	1
DEF, LLC	7	17
DEF, INC	33	8
DEI, INC	1	0
DEI, LLC	0	0
DEO, INC	0	5
DEK, INC	0	0
DECE	0	0
DECE	25	13
DE&S	0	0
NCNG	0	0
2015 Total	1,120	1,120

2017	FROM	TO
DEBS	285	296
DEBS, LLC	0	61
DEC, LLC	356	414
DEP, LLC	224	130
DEP, INC	0	0
PESC	0	0
SNG PESC	0	0
Piedmont	0	2
Piedmont	57	4
DEF, LLC	50	51
DEF, INC	0	0
DEI, INC	0	0
DEI, LLC	5	8
DEO, INC	0	5
DEK, INC	0	0
DECE	0	1
DECE	4	9
DE&S	0	0
NCNG	0	0
2017 Total	981	981

2019	FROM	TO
DEBS	0	0
DEBS, LLC	299	224
DEC, LLC	330	485
DEP, LLC	252	187
DEP, INC	0	0
PESC	0	0
SNG PESC	0	0
Piedmont	52	36
Piedmont	0	0
DEF, LLC	63	62
DEF, INC	0	0
DEI, INC	0	0
DEI, LLC	7	16
DEO, INC	11	4
DEK, INC	2	0
DECE	0	2
DECE	0	0
DE&S	0	0
NCNG	0	0
2019 Total	1,016	1,016

Source: Information Response 56

Duke Energy did not provide specifically how "duplicates removed" data differs from "transfers-detail" data.[33]

Asset Transfers

Schumaker & Company also requested a description of asset transfers from/to DEC, DEP, Piedmont, and other affiliates by year for 2014 to 2019, and how recorded. However, only 2018 was provided in the response.[34]

Asset transfers are inventory materials recorded in Account #154.[35] Information was provided by Duke Energy in the 2018 Annual Report of Affiliate Transactions submitted to NCUC provided information and data about asset transfers as follows.[36]

Schedule 9 – Intercompany Asset Transfer Report – These schedules displayed in *Exhibit II-22*, *Exhibit II-23*, and *Exhibit II-24* summarize the asset transfers between DEC, DEP, and their utility affiliates under the Intercompany Asset Transfer Agreement (IATA). The IATA governs transfers of assets at "cost" between and among the regulated utilities. Under the IATA, "assets" include parts inventory, capital spares, equipment, and other goods, excluding fuel used in electric generation, electric power, emission allowances, and emission-reducing chemicals. "Cost" means: (i) average unit price for items in inventory accounted for according to the FERC Uniform System of Accounts in Account #154 as recorded on the books of the transferor, plus stores, freight, and handling and other applicable costs, or (ii) net book value for assets other than inventory items.

Exhibit II-22
Inter-company Asset Transfer Report – Affiliate Asset Transactions To and From Duke Energy Carolinas for 12 Months Ended December 31, 2018

Asset Transfer Transactions from Utility Affiliaties To Duke Energy Carolinas

From	To	Quantity	Cost
Duke Energy Florida	Duke Energy Carolinas	24,592	$1,191,090
Duke Energy Indiana	Duke Energy Carolinas	22,822	639,592
Duke Energy Kentucky	Duke Energy Carolinas	28	2,170
Duke Energy Ohio	Duke Energy Carolinas	25,439	659,541
Duke Energy Progress	Duke Energy Carolinas	73,211	1,628,998
Grand Total		**146,092**	**$4,121,391**

Asset Transfer Transactions From Duke Energy Carolinas to Utility Affiliates

From	To	Quantity	Cost
Duke Energy Carolinas	**Duke Energy Florida**	29,316	$1,039,206
Duke Energy Carolinas	**Duke Energy Indiana**	49,737	766,461
Duke Energy Carolinas	**Duke Energy Kentucky**	629	18,096
Duke Energy Carolinas	**Duke Energy Ohio**	14,314	892,717
Duke Energy Carolinas	**Duke Energy Progress**	474,357	10,341,377
Grand Total		**568,353**	**$13,057,857**

Source: Information Response 7 Schedule 9.1.a
Note: These transactions depict all inbound and outbound asset transactions for DE Carolinas recorded directly within single Supply Chain systems.

Exhibit II-23
Inter-company Asset Transfer Report – Affiliate Asset Transactions To and From Duke Energy Progress
for 12 Months Ended December 31, 2018

Asset Transfer Transactions from Utility Affiliates To Duke Energy Progress

From	To	Quantity	Cost
Duke Energy Carolinas	Duke Energy Progress	474,357	$10,341,377
Duke Energy Florida	Duke Energy Progress	104,038	929,374
Duke Energy Indiana	Duke Energy Progress	845	27,195
Duke Energy Kentucky	Duke Energy Progress	28	7,227
Duke Energy Ohio	Duke Energy Progress	2,699	8,501
Grand Total		**581,967**	**$11,313,674**

Asset Transfer Transactions From Duke Energy Progress to Utility Affiliates

From	To	Quantity	Cost
Duke Energy Progress	**Duke Energy Carolinas**	73,211	$1,628,998
Duke Energy Progress	**Duke Energy Florida**	125,837	899,927
Duke Energy Progress	**Duke Energy Indiana**	8,720	127,101
Duke Energy Progress	**Duke Energy Kentucky**	129	11,082
Duke Energy Progress	**Duke Energy Ohio**	5,877	36,580
Grand Total		**213,774**	**$2,703,688**

Source: Information Response 7 Schedule 9.2.a
Note: These transactions depict all inbound and outbound asset transactions for DE Progress recorded directly within single Supply Chain systems.

Exhibit II-24
Inter-company Asset Transfer Report – Affiliate Asset Transactions To and From Piedmont Natural Gas
for 12 Months Ended December 31, 2018

Asset Transfer Transactions from Utility Affiliates To Piedmont Natural Gas

From Affiliate Name	To Affiliate Name	Quantity	Cost
Duke Energy Ohio	Piedmont Natural Gas	6,125	$1,237,432
Grand Total		**6,125**	**$1,237,432**

Asset Transfer Transactions From Piedmont Natural Gas to Utility Affiliates

From Affiliate Name	To Affiliate Name	Quantity	Cost
No Activity	No Activity	0	$0
Grand Total		**0**	**$0**

Source: Information Response 7 Schedule 9.3.a
Note: These transactions depict all inbound and outbound asset transactions for Piedmont Natural Gas recorded directly within single Supply Chain systems.

Schedule 10 – Rotable Fleet Spares Report – This schedule is required per the Commission's order, dated September 3, 2014, in Docket Nos. E-2, Sub 998A, and E-7, Sub 986A. It contains the mutually agreed upon list of Rotable Fleet Spare (RFS) assets eligible for waiver of the cost-based pricing provisions of the current IATA, with changes expressly identified, and a detailed listing of (i) the types and quantities of RFS assets transferred with the Transferor and the Recipient identified for each transfer, and (ii) the accounting entries made to record such transfers. *Exhibit II-25* is the Transaction Summary report.

Exhibit II-25
Duke Energy Carolinas and Duke Energy Progress Rotable Fleet Spares Transportation Report
for 12 Months Ended December 31, 2018

Transferor	Recipient	Asset Type	Quantity	Transferor's Net Book Value *	Fair Market Value	Transfer Month
DEC	DEP	Stage 3 Buckets #1515856	91	$1,966,431	$1,427,174	May **
DEC	DEP	Stage 3 Buckets #1515857	1	$21,609	$15,683	May **
DEC	DEP	Stage 3 Buckets #1515856	91	$1,966,431	$1,427,174	September **
DEC	DEP	Stage 3 Nozzles #1515857	1	$21,609	$15,683	September **
DEC	DEP	Stage 3 Nozzle #1515860	1	$1,246,017	$927,664	September **
DEC	DEP	Stage 3 Shroud, Turbine #1515863	1	$337,669	$263,965	September ***
DEC	DEP	Stage 3 Shroud, Turbine #1515866	1	$414,407	$234,499	September ***
			187	$5,974,173	$4,311,842	

Source: Information Response 7 Schedule 10

Schedule 11 – Commodity Transfers Report – This schedule is required per the Commission's order dated February 10, 2015, in Docket Nos. E-2, Sub 998A, and E-7, Sub 986A. It contains the mutually agreed upon list of commodities and related equipment and services subject to the Commodity Transfer Agreement, with changes expressly identified, and a detailed listing of: (i) the types and quantities of fuel, reagents, and coal combustion byproducts that may be transferred, the types and quantities of equipment that may be rented, leased or otherwise placed under contract to provide transportation services and the services to which the rights to performance and use may be transferred pursuant to the Commodity Transfer Agreement; (ii) each asset and service actually transferred (by type and quantity) during the year with the Transferor and Recipient identified for each transaction; and (iii) the accounting entries made to record such transactions. *Exhibit II-26* summarizes affiliated transactions pursuant to the Commodities Transfer Agreement occurred during 2018.

Exhibit II-26
Duke Energy Carolinas and Duke Energy Progress Commodities Transfer Report
for 12 Months Ended December 31, 2018

Transferor	Recipient	Asset Transferred	Quantity	Cost	Transfer Period
DEP	DEC	Ultra Low Sulfur Diesel Fuel Oil	7,511 Gallons	$ 15,622.88	4/2/2018
DEC	DEP	Gypsum	128,082 Tons	$ 471,342.05	1/1/18-9/30/18

Source: Information Response 7 Schedule 11

Cost Allocation Manual Documentation

CAM Introduction

This Carolinas' Cost Allocation Manual (CAM) documents the guidelines and procedures for allocating costs between the different business units impacting DEC, DEP, and Piedmont. The guidelines are intended by Duke Energy management to provide the foundation for proper identification and recording of transactions involving the exchange of services or goods between DEC, DEP, Piedmont and their Affiliates. These guidelines describe the allocation methods that are consistent with cost causation

principles to ensure one Duke Energy entity does not subsidize another.[37] Additional information on Duke Energy's internal controls and finance policies is available for Duke Energy employees to access at:[38] https://dukeenergy.sharepoint.com/sites/portal/our-company/policies/Pages/Finance-Policies.aspx.

The CAM is an annual filing for DEC, DEP, Piedmont. The CAM supplied to Schumaker & Company during this audit is the 2018 CAM, the 2019 CAM will supposedly be filed soon, as it has not been filed already. The current CAM-2019 is supposed to be given to us when it is available, but not yet. Note that the Affiliate Transactions report is supposed to be filed the end of May, so it was likely that we did not get a more recent copy of that for this audit yet.[39] The CAMs for Carolinas and Florida are essentially the same, as they're similar; however, for example, DEK has some more specificity for specific Kentucky Public Service Commission (KPSC) orders.[40]

Last one provided was 2018 based, but we thought we could be receiving the 2019 version before the end of the audit, but not yet, as it's supposedly in progress.[41]

Regarding charges for and allocations of the cost of affiliate transactions, the Cost Allocation Manual documentation indicates the following:[42]

> To the maximum extent practicable, costs of Affiliate transactions shall be directly charged. When not practicable, such costs shall be assigned in proportion to the direct charges. If such costs are of a nature that direct charging and direct assignment are not practicable, they shall be allocated in accordance with Commission-approved allocation methods. The following additional provisions shall apply:
>
> a. DEC, DEP, and Piedmont shall keep on file with the Commission (done by the Rates & Regulatory group[43]) a cost allocation manual with respect to goods or services provided by DEC, DEP, or Piedmont, any Utility Affiliate, DEBS, any other Non-Utility Affiliate, Duke Energy, any other Affiliates, or any Nonpublic Utility Operation to DEC, DEP, or Piedmont. Piedmont will adopt DEC's and DEP's CAM.
>
> b. The CAM shall describe how all directly charged, direct assignment, and other costs for each provider of goods and services will be charged between and among DEC, DEP, Piedmont, their Utility Affiliates, Non-Utility Affiliates, Duke Energy, any other Affiliates, and the Nonpublic Utility Operations, and shall include a detailed review of the common costs to be allocated and the allocation factors to be used.
>
> c. The CAM shall be updated annually, and the revised CAM shall be filed with the Commission no later than March 31 of the year that the CAM is to be in effect. DEC, DEP, and Piedmont shall review the appropriateness of the allocation bases every two years, and the results of such review shall be filed with the Commission. Interim changes shall be made to the CAM, if and when necessary, and shall be filed with the Commission, in accordance with Regulatory Condition 5.6.

d. No changes shall be made to the procedures for direct charging, direct assigning, or allocating the costs of Affiliate transactions or to the method of accounting for such transactions associated with goods and services (including Shared Services provided by DEBS) provided to or by Duke Energy, other Affiliates, and the Nonpublic Utility Operations until DEC, DEP, or Piedmont has given 15 days' notice to the Commission of the proposed changes, in accordance with Regulatory Condition 5.6.

With respect to interim changes to the CAM or changes to lists of goods and services, for which the 15-day notice to the Commission is required, the following procedures shall apply: The Public Staff shall file a response and make a recommendation as to how the Commission should proceed before the end of the notice period. If the Commission has not issued an order within 30 days of the end of the notice period, DEC, DEP, or Piedmont may proceed with the changes, but shall be subject to any fully adjudicated Commission order on the matter. The provisions of Regulatory Condition 13.2 do not apply to advance notices filed pursuant to Regulatory Condition 5.5(c) and (d). Such advance notices shall be filed in Docket Nos. E-7, Sub 1100A, E-2, Sub 1095A, and G-9, Sub 682A.[44]

Section XIII of the Regulatory Conditions provides procedures for the implementation of conditions requiring advance notices and other filings arising from the merger. In particular, Regulatory Condition No. 13.1 provides detailed procedures and designated Sub dockets for filings pursuant to the Regulatory Conditions that are not subject to the advance notice provisions of Regulatory Condition No. 13.2. This Regulatory Condition provides that filings related to (a) affiliate matters required by Regulatory Condition Nos. 5.4, 5.5, 5.6, 5.7, and 5.23 and the filing permitted by Regulatory Condition No. 5.3 shall be made by DEC, DEP and Piedmont in Sub 986A and Sub 998A, respectively; (b) financings required by Regulatory Condition No. 7.6, and the filings required by Regulatory Condition Nos. 8.5, 8.6, 8.9, 8.10 and 8.11 shall be made by DEC, DEP and Piedmont in Sub 986B and Sub 998B, respectively; (c) compliance filings required by Regulatory Condition Nos. 3.1(d) and 14.4 and filings required by Sections III.A.2(l), III.A.3(e), (f), and (g), III.D.5, and III.D.8 of the Code of Conduct shall be made in Sub 986C and Sub 998C; (d) the independent audits required by Regulatory Condition No. 5.8 shall be made in Sub 986D; and (e) orders and filings with the FERC, as required by Regulatory Condition Nos. 3.1(d), 3.11 and 5.13 shall be made by DEC, DEP, and Piedmont in Sub 986E and Sub 998E, respectively.[45]

Other CAM Topics

Specific CAM topics include:[46]

- *Summary of Corporate Structure*, as previously illustrated in *Exhibit II-2*.
- *North Carolina Code of Conduct Service Agreement Lists* – Establishes the minimum guidelines and rules that apply to the relationships, transactions, and activities involving the public utility operations of DEC, DEP, Piedmont, Duke Energy, other affiliates, or the nonpublic utility operations, which includes non-regulated activities,[47] of DEC, DEP, and Piedmont, to the extent such relationships, activities, and transactions affect the public utility operations of DEC, DEP, and Piedmont in their respective service areas. DEC, DEP, Piedmont, and the other

affiliates are bound by this Code of Conduct pursuant to Regulatory Condition 6.1 approved by the Commission in Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G- 9, Sub 682. This Code of Conduct is subject to modification by the Commission as the public interest may require, including, but not limited to, addressing changes in the organizational structure of DEC, DEP, Piedmont, Duke Energy, other affiliates, or the nonpublic utility operations; changes in the structure of the electric industry or natural gas industry; or other changes that warrant modification of this Code. DEC, DEP, or Piedmont may seek a waiver of any aspect of this Code of Conduct by filing a request with the Commission showing that circumstances in a particular case justify such a waiver. Topics include:

- Independence and information sharing
- Nondiscrimination (not unduly discriminating against non-affiliated entities)
- Marketing, including use of names and logos
- Transfer of goods and services, transfer pricing, and cost allocation (pages 17-18-19-20)
- Regulatory oversight
- Utility billing format to customers
- Complaint procedures to resolve potential complaints that arise due to the relationship of DEC, DEP, and Piedmont with Duke Energy, the other affiliates, and the nonpublic utility operations
- Natural gas/electricity competition minimum standards

- *Service Agreement Lists* outlining services that DEC, DEP and Piedmont may receive from their Duke Energy affiliates include the following; however, for a complete list of the services related to affiliate service agreements, refer to NCUC Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A or G-9, Sub 682A, and the affiliate service agreements may also be found on the State Regulatory Compliance Portal.:
  - Service Company Utility Service Agreement List
  - Operating Companies Service Agreement List
  - Operating Companies/Non-Utility Companies Service Agreement List
- *Guidelines for Transactions between DEC/DEP/Piedmont and Affiliates,* which is an internal document developed to help employees implement the North Carolina Code of Conduct, including:
  - Definitions
  - Information sharing restrictions, including customer information, confidential systems operation information, market and transmission information
  - Affiliate agreements, including filing requirements, plus existing agreements
  - Cost allocation and transfer pricing rules, including cost allocations and transfer pricing rules

- Regulatory oversight
  - DEC/DEP/Piedmont are required to file a detailed Carolinas CAM and Annual Affiliate Transactions Report with the NCUC, which are subject to regular audit by the Public Staff.
  - DEC/DEP/Piedmont are also required to maintain information on affiliate transactions for review by the Public Service Commission of South Carolina (PSCSC) and Office of Regulatory Staff (ORS) in South Carolina upon request.
  - Corporate Audit Services performs an annual audit of affiliate transactions.
  - Independent audit of transactions under the services agreements occurs no less than every two years.
- Compliant procedure, in which the Code of Conduct requires DEC/DEP/Piedmont to follow established procedures to resolve any complaints that may arise due to the relationship of DEC/DEP/Piedmont with Duke Energy Corporation, its other affiliates, or its nonpublic utility operations.

- *Shared Services Cost Distribution Process,* which are services designated as "shared support," for purposes of the North Carolina Regulatory Conditions and Code of Conduct, and are corporate or general utility in nature and are used by multiple business units. These services are provided pursuant to a Utility Service Agreement filed with the NCUC. Also, Interim changes to this list require filing with the Commission, with 15 days advance notice of the proposed changes. Costs for shared services are distributed to affiliates within Duke Energy through (i) direct charges, (ii) distribution or (iii) allocations. The objectives of this process are to:
  - Meet regulatory requirements.
  - Ensure that each affiliate shares in and is appropriately charged for the relevant shared services costs.
  - Assist affiliates in understanding the cost drivers and basis for allocation of shared services costs that affect their operating results.
  - Provide an accounting model whereby affiliates can see how much is allocated to them for each shared service.
- *Guidelines and Procedure for Charging DEC/DEP/Piedmont for Costs Originating with the Service Company,* including general guidelines, time reporting, and labor allocations for (i) direct charges, (ii) distribution or (iii) allocations). An Affiliate Rules and Transactions Computer Based Training (CBT) (emphasis on DEC/DEP/Piedmont) is available in the *Training Connection* on the portal.
- *Shared Services Cost Distribution Details*, including description of services provided and associated allocation methods and factors
- *Guidelines and Procedure for Charging Affiliates for Costs Originating with DEC/DEP/Piedmont*, in which the following procedures address employees' and management's responsibilities

- General guidelines
  - Hours worked by DEC/DEP/Piedmont employees in direct support of an affiliate/nonpublic utility operation are charged directly to the affiliate.
  - First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by DEC/DEP/Piedmont to an affiliate/nonpublic utility operation (timesheets, employee expenses, etc.).
  - First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center; these reports would include any charges incurred by the responsibility center to an affiliate/ nonpublic utility operation.
  - Transactions originating with DEC/DEP/Piedmont and charged to an affiliate typically require the completion and approval of a Service Request form. The process and eForm can be found on the portal under Rates & Regulatory.
- Time reporting, when a DEC/DEP/Piedmont employee supports an affiliate/nonpublic utility operation:
  - Hours worked by DEC/DEP/Piedmont employees in direct support of an affiliate/nonpublic utility operation are charged directly to the affiliate/nonpublic utility operation.
  - Overtime hours worked by a non-exempt employee during a week should be applied first to the affiliate/nonpublic utility operation project, up to total hours worked on the project.
    - If overtime pay is charged to the utility but not the affiliate/nonpublic utility operation in a time reporting period, the reason for the exception shall be fully documented and maintained by the Supervisor for a minimum of two years.
    - For example, a non-exempt employee works 50 hours for a given week, 10 of which must be paid as overtime. Twenty of the 50 hours were in support of an affiliate project, so that project should be charged 10 hours overtime and 10 hours straight-time.
  - When an exempt employee who is paid semi-monthly provides support to an affiliate/ nonpublic utility operation, and overtime is worked, the employee's regular semi-monthly pay is prorated to the utility and the affiliate/nonpublic utility operation based on the number of hours worked for each.
  - Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.
  - The financial system will automatically load time reported to an affiliate/nonpublic utility operation with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries

will be made by the business finance support group to appropriately adjust the costs to market. The overhead cost factor includes the following components: department administrative overheads, corporate governance, employee training, Service Company-related shared services, facilities, and supervisory costs.

- Labor allocations – DEC/DEP/Piedmont employees may provide services to their regulated utility affiliates at DEC's, DEP's, or Piedmont's fully distributed costs and DEC/DEP/Piedmont employees may provide services to Duke Energy Corporation, a non-utility affiliate, a non-regulated utility affiliate or nonpublic utility operation at the higher of fully distributed cost or market value, subject to certain exceptions. The mechanism for charging is generally a cost applied to labor charges and a market value journal entry if applicable. Allocation rates described in items 1 through 10 below are applied as a cost factor to direct labor charged to an affiliate/nonpublic utility operation: Below are the various cost components of labor loads. The rates for Items 1-4 may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items 5-10 are components of Duke Energy's regulated utilities franchised electric and gas labor cost multiplier and are updated annually. Items 5-10 do not apply to transactions between DEC and DEP.

  1) *Fringe benefit allocation* – Fringe benefits are employee benefits, such as retirement, and medical and dental insurance.

  2) *Payroll tax allocation* – Payroll taxes also include state unemployment, federal unemployment, social security, and Medicare taxes, which are accrued as they are incurred.

  3) *Incentive allocation* – Incentives are accrued via a loading factor applied to direct labor charges by the DEC/DEP/Piedmont employee performing work for an affiliate/nonpublic utility operation.

  4) *Unproductive cost allocation* – An unproductive cost allocation is applied on the basis of direct labor charges by the DEC/DEP/Piedmont employee performing work for an affiliate/nonpublic utility operation.

  5) *Administrative overhead* – An Administrative Overhead Rate will be applied on the basis of direct labor charges. Administrative Overheads include: Departmental administrative functions (Business Support and General Office Executive Management), labor, and non-labor costs (e.g. training, employee expenses, and Information Management costs for administrative functions by functional department).

  6) *Corporate governance* – A corporate governance cost rate is applied on the basis of direct labor charges, which is based on corporate governance costs allocated to FE&G.

  7) *Employee training costs* –An employee training cost rate is applied on the basis of direct labor charges, in which the employee training-related costs factor will be developed by identifying the direct labor charges for those within regulated utilities that perform employee training-related tasks.

8) *Service Company costs* – A service company cost rate is based on historical enterprise and governance overhead charged to regulated utilities in the following functions: Information Systems, Transportation, Human Resources, Materials Management, Accounting, Public Affairs, Legal, Finance, Facilities, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning, and Executive.

9) *Facilities cost rate* – The facilities cost rate is applied on the basis of direct labor charges, which is based on the annual cost structure for corporate facilities, i.e. Charlotte, Raleigh, Cincinnati, St. Petersburg, and Plainfield office buildings, and the number of employees occupying these facilities to arrive at an average facility cost.

10) *Supervisory costs* – The supervisory cost rate is applied on the basis of direct labor charges. The supervisory cost rate represents the cost of supervision related to a regulated utilities employee performing work for an affiliate business unit. The basis for determining such costs is through the analysis of supervisory labor cost as a factor of regulated utilities employee labor cost.

- Premium services (non-affiliate transactions) – Premium services are unregulated services provided by DEC or DEP to its electric customers. All costs related to premium services are either direct-charged or allocated to non-utility accounts. Costs identified in subsections 1 through 4 above are automatically allocated based on labor charges to premium services processes. An additional multiplier rate is also applied to labor charged to these premium services processes to cover costs such as facilities, administrative and corporate overheads, employee training and supervision, and shared services.

- *Cost Distribution Details* (DEC and DEP), including description of services provided and associated allocation methods and factors, as described in
- *Guidelines and Procedure for Charging DEC/DEP/Piedmont for Costs Originating with Utility Affiliates Excluding the Service Company*, in which on occasion, utility affiliate (DEF, DEI, DEK, DEO-Transmission or DEO-Distribution) employees may be requested to provide support, subject to availability, to DEC/DEP/Piedmont, as follows, although the last six items do not apply to transaction between DEC and DEP:
  - General guidelines
  - Time reporting
  - Labor allocations
    - Fringe benefit allocation
    - Payroll tax allocation
    - Incentive allocation
    - Unproductive cost allocation
    - Administrative overheads
    - Corporate governance
    - Employee training costs
    - Service company costs

- Facilities cost
- Supervisory costs

- *Guidelines and Procedure for Charging DEC/DEP/Piedmont for Costs Originating with Non-Regulated Affiliates*, as follows:
  - General guidelines
  - Time reporting
  - Labor allocations
    - Fringe benefit allocation
    - Payroll tax allocation
    - Incentive allocation
    - Unproductive cost allocation
    - Administrative overheads
    - Corporate governance
    - Employee training costs
    - Service company costs
    - Facilities cost
    - Supervisory costs
- *Typical Transactions between DEC/DEP/Piedmont and Affiliates Covered Under Separate Agreements*, some of the typical transactions that DEC/DEP/Piedmont conduct with one another or their affiliates under separate agreements not otherwise discussed in this CAM documentation. These agreements and others can be found on the State Regulatory Compliance portal page.
  - Bison Insurance
  - Intercompany Asset Transfer Agreement
  - Tax Sharing Agreement
  - Utility Money Pool Agreement
  - Carolinas Operating Companies Commodity and Related Equipment and Services Transfer Agreement
  - Asset Management and Delivered Supply Agreement
- *Other*, primarily audit principles and guidelines, in which an audit trail shall exist with respect to transactions between DEC/DEP/Piedmont and its affiliates. Refer to *Internal Controls* section of this chapter for more information about audits.

CAM Calculations

Also provided besides CAM were the basis data calculations used to prepare the allocation spreadsheets. Please see the Companies' response to IR#12 for Cost Allocation spreadsheets, attached separately. Also look at Section D of IR#9 for type of services provided.[48]

Section H (*Shared Services Cost Distribution Details*) of CAM includes the detailed spreadsheet showing how the affiliate charges are allocated across the company.[49]

Labor allocations is also mentioned what included for how calculated, such as:[50]

- Service Company employees provide services to DEC/DEP/Piedmont at fully distributed cost. Allocation of costs described in five items below are applied as a cost factor to labor charged to DEC/DEP/Piedmont. Below are the various cost components of labor loads:[51]
  - Fringe benefit allocation
  - Payroll tax allocation
  - Incentive allocation
  - Unproductive cost allocation
  - Service Company overhead rate, which is based on historical enterprise and governance overhead charged to Regulated Utilities in the following functions: Information Systems, Transportation, Human Resources, Materials Management, Accounting, Public Affairs, Legal, Finance, Facilities, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning, and Executive.
- DEC/DEP/Piedmont employees may provide services to their regulated utility affiliates at DEC's, DEP's, or Piedmont's fully distributed costs and DEC/DEP/Piedmont employees may provide services to Duke Energy Corporation, a non-utility affiliate, a non-regulated utility affiliate, or nonpublic utility operation at the higher of fully distributed cost or market value, subject to certain exceptions. The mechanism for charging is generally a cost applied to labor charges and a market value journal entry if applicable. Allocation rates described in 10 items below are applied as a cost factor to direct labor charged to an affiliate/nonpublic utility operation. Below are the various cost components of labor loads. The rates for first four items may be adjusted during the year to properly accrue the associated actual or anticipated cost. The last six items are components of Duke Energy's Regulated Utilities Franchised Electric and Gas labor cost multiplier and are updated annually and they do not apply to transactions between DEC and DEP.[52]
  - Fringe benefit allocation
  - Payroll tax allocation
  - Incentive allocation
  - Unproductive cost allocation
  - Administrative overheads
  - Corporate governances
  - Employee training costs
  - Service Company costs
  - Facilities cost
  - Supervisory costs

According to Duke Energy management, there has been no changes or pushback from NCUC regarding these items.[53]

OpenPages

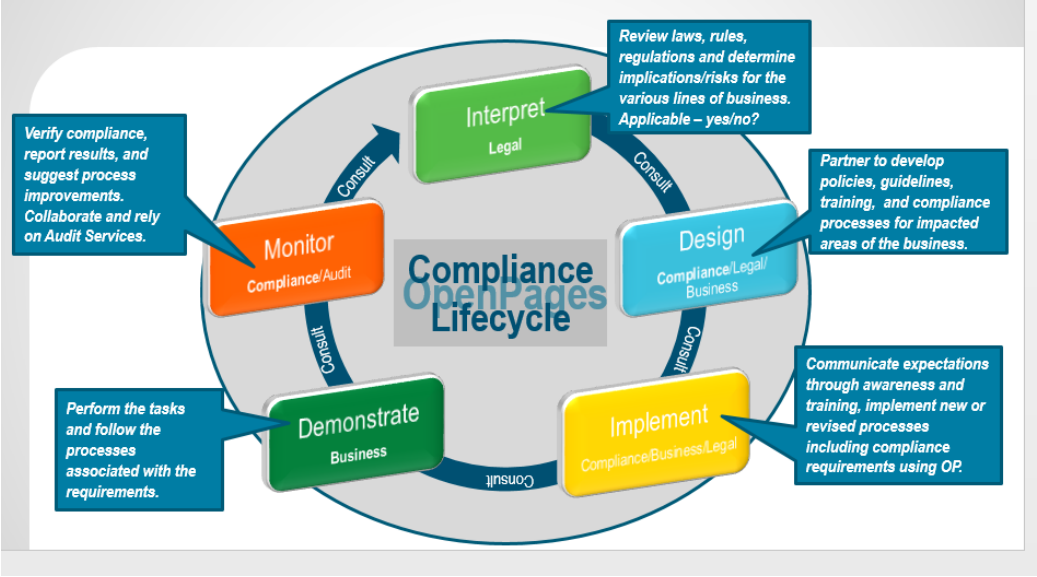
In addition to the CAM as a cost charging guide, DEC, DEP, and Piedmont use OpenPages to track compliance with regulatory requirements. OpenPages (OP) is administered by the Corporate Compliance group, which serves DEC, DEP, and Piedmont. OpenPages allows a regulatory requirement to be broken down into actionable tasks and assigned to one or more individuals. Individuals must complete tasks assigned and report completion by a certain date. OpenPages is integral to DEC's, DEP's, and Piedmont's culture of compliance.[54] OP does not just include regulatory compliance requirements, but also other requirements, too, in which the Corporate Compliance group puts compliance in OP.[55] OpenPages supports any project with specific deadlines and roles. This group at Duke Energy uses to coordinate and control various filings and the filing process.[56] Also IBM® OpenPages® Operational Risk Management helps to automate the process of identifying, measuring, and monitoring operational risk.[57] Two employees within the Corporate Compliance group are responsible for maintaining OP, which was implemented after the 2006 Duke/Cinergy merger. Specifically, OP is used to:[58]

- Document regulatory requirements and actions necessary to comply
- Communicate actions to satisfy requirements with assignees
- Enable assignees to document compliance with regulatory requirements
- Show proof that requirement has been satisfied – valuable for audits, reporting, showing a culture of compliance, etc.

OP was upgraded last year and will be more this year (2020) too to make user interface more friendly.[59]

Exhibit II-27 displays the lifecycle used by the Corporate Compliance group for OP.[60]

Exhibit II-27
Compliance/OP Lifecycle



Source: Information Response 55 Page 3

Orders information, typically three to four sets of information in paragraphs, including due dates, are submitted to OP, then information steps to end user assignees includes:[61]

- Assignees receive a reminder e-mail as scheduled
- Instructions for how to complete the task are presented
- For task completion, assignees must update the record with appropriate information and save

The Corporate Compliance group makes sure assignees do what is required, plus legal representatives typically may be involved. *Exhibit II-28* explains assignee information participants.[62]

Exhibit II-28
Assignee Information Explained

Assignee Information	
Assignee	Individual responsible for completing the Task.
Secondary Assignee	This individual would receive the same email notifications as the Assignee. This field is optional.
Point of Contact (POC)	This is typically the supervisor of the Assignee.
Alternate Recipients	Individuals can be added to receive email reminders and past due notifications as the assignees do. Alternate recipients do not have to be active OpenPages users to receive the email notices.
Compliance Rep	This is the compliance team member overseeing the regulatory condition.
Legal Rep	This is the attorney responsible for interpretation of the regulatory condition.

Source: Information Response 55 Page 13

Also, the Corporate Compliance group performs past-due follow-up, in which *Exhibit II-29* displays the past due escalation schedule. After automated past due notices, at 40 days past due, notifications are also manually escalated to senior management.[63]

Exhibit II-29
Past Due Escalation Schedule

Interval	Assignee (Secondary)	POC	Compliance Rep	Attorney
Day 1, 5	✓			
Day 10, 15	✓	✓		
Day 20	✓	✓	✓	
Day 30	✓	✓	✓	✓

Source: Information Response 55 Page 15

Key OP takeaways are as follows:[64]

- OpenPages Capabilities:
  - Tasks have Primary Assignees, Secondary Assignees and Alternate Recipients
  - Reminder e-mails
    - Upcoming and past due tasks
    - As frequently as every day and as far in advance as Assignee needs.
    - Can be sent to a distribution list; no obligation for those individuals; do not have to be OP users
  - Tracks movement of employees assigned to OpenPages tasks
  - Assign ownership to requirements
  - Documented repository where all compliance tasks are cataloged
  - No attachments required – having assignees simply store supporting documentation on their share drive or SharePoint and provide a reference – this provides more security than OpenPages and avoids duplication.
  - Ability for the Corporate Compliance group to have oversight of regulatory matters

Duke Energy management considers requirements good in OP, even if responsibility changes. Approximately 3,200 requirements exist in OP, with 1,300 OP users.[65] Also approximately 2,000 licenses.[66]

There's also a link in OP to SharePoint with documentation.[67]

Any Other Cost Accounting Documentation Involving Cost Accumulation and Assignment

Duke Energy provided Service Company and Utility Cost Allocation Rate Schedules (via spreadsheets) based on allocation factors shown in *Exhibit II-40* (*Services Provided and Associated Allocation Methods and Factors*); a Code Block Page (Overview of Allocations – Code Block Overview) showing the different general ledger code block, Allocation Step Owner Training package, and the companies' Labor Charging and Payroll Policy documentation, which is also discussed in *Chapter III- Cost Accumulation and Assignment and Cost Allocation Methodologies*. This response supposedly supported the CAM documentation.[68]

Operating units are components of business units. All operating units collect costs and the allocation process occurs at end of month to clear those operating units and distribute to affiliates. Code block details are shown with when, what, who, where, and when descriptions. Example of coding is which the Director-Allocations & Reporting records time to staff, which is mapped to administrative and general (A&G) expenses and allocated.[69]

For example, Service Company/DEBS allocations and reporting definitions are:[70]

- An accounting process used to accumulate costs that are not directly assigned and charged to functional business units and allocate those costs to the appropriate affiliate business units
- Allocable costs are accumulated into various cost pools based on the functional Operating Unit (OU) and allocation pool field

- OUs correspond to the 23 functions outlined in the Utility Service Agreement and the NC Cost Allocation Manual (CAM)
- Costs are charged to affiliate business units on a fully distributed cost basis and include labor and non-labor costs
- Costs are allocated to various segments as appropriate (i.e., Governance, Utility, Enterprise, Midwest Only, etc.) based on a reasonable allocation method
- An overhead component is charged as a percentage of Service Company labor costs
- Allocation rates are calculated during the yearly budget process and typically do not change throughout the year

There are various types of allocation steps that run either before or after Service Company allocations:[71]

- Steps to spread costs further down in the jurisdiction (e.g., Nuclear steps to spread costs to the 6 nuclear sites)
- Joint Owner steps
- Utility Allocation steps
- Steps to spread costs between Gas and Electric Business Units (KY, NC, OH, SC, and TN)

Affiliate Agreements

Existing affiliate agreements include those entered into subsequent to the close of the merger of Duke Energy Corporation and Piedmont Natural Gas Company, Inc. (Piedmont) in 2016, to which DEC, DEP, Piedmont or any one or more of those three operating companies are a party with any Duke Energy Corporation affiliates attached in the information response provided by Duke Energy, as follows:[72]

- Affected System Operating Agreement (DEC and DEP) (11/14/2019)
- Asset Management Agreement (updated 03/02/2020)
- As-Available Capacity Agreement (DEC and DEP) (10/05/2018)
- Commodity and Equipment Transfer Agreement (08/05/2014)
- DEC/DE1 CAFTA-Master Wireless Facilities Collocation Agreement for Transmission Assets and Communication Towers (07/01/2018)
- DEC/DE1 Affiliate Agreements (11/12/2018)
- DEC/DEP Affected System Impact Study Agreement (2016)
- DEC/Peak Tower Master Lighting Facilities Agreement (11/16/2017)
- DEC/DEP Restore (2018)
- DEC/DEP Dynamic Transfer Agreement (2019)
- DEC/DEP Long-Term Firm Transmission Service Agreement (05/24/2019)
- DEC/DEP Short-Term Firm Transmission Service Agreements (2020)
- DEC/DEP/PNG Virtual Meter Agreement (09/28/2016)
- DEC/PNG Encroachment Permit EN20180040-11 (08/21/2018)

- DEC/PNG Encroachment Permit EN2018-212-11 (01/02/2019)
- DEP/DE1 Small Equipment Attachment Agreement (2018)
- DEP/DE1 CAFTA-Master Wireless Facilities Collocation Agreement for Transmission Assets and Communication Towers (07/01/2018)
- DEP/Peak Tower Master Wireless Facilities Agreement (11/16/2017)
- DEP/PNG Pipeline Agreement, Amended ROW Agreements (3/2/2016)
- DEP/PNG Pipeline Agreement Relocation Agreement(03/09/2017)
- Intercompany Asset Transfer Agreement (08/26/2016)
- Joint Generation and Transmission Planning Agreement (10/11/2013)
- Joint Dispatch Agreement (DEC and CP&L-Attachment to DEC and DEP Merger Application) (4/4/2011)
- Joint Dispatch Agreement-Revised-06/1/2012)
- Nuclear Services Agreement (06/30/2014)
- Operating Companies Service Agreement (08/26/2016)
- Operating Companies NonUtility Companies Service Agreement (08/26/2016)
- Service Company Utility Service Agreement (08/26/2016)
- Service Company NonUtility Service Agreement (12/01/2011)
- Service List Operating Companies Service Agreement (08/26/2016)
- Service List Operating Companies NonUtility Companies Service Agreement (08/26/2016)
- Service List Service Company Utility Service Agreement (08/26/2016)
- Tax Sharing Agreement (08/26/2016)
- Utility Money Pool Agreement (08/26/2016)

In response summary, Duke Energy had asked us to "refer to the affiliate service agreements entered into subsequent to the close of the merger of Duke Energy Corporation and Piedmont Natural Gas Company, Inc. (Piedmont) in 2016, to which DEC, DEP, Piedmont or any one or more of those three operating companies are a party with any Duke Energy Corporation affiliates attached in the zipped folders. Please note that certain affiliate agreements remain unsigned, as the NCUC has not issued a final order approving them. DEC, DEP and Piedmont have interim authority to operate under these agreements until the NCUC issues a final order approving them." During the initial interview, although Duke Energy had originally had 31 agreements, although three more (As-Available Capacity Agreement, Joint Dispatch Agreement, and Joint Dispatch Agreement-Revised) were subsequently provided, we briefly looked at the following during the interview:[73]

- Operating Company Service Agreement between regulated companies (08/26/2016), including DEC, DEP, and Piedmont, which includes engineering and construction, operations and maintenance, generation, etc. Service Request Forms are required.
- Service List Operating Companies Agreement (08/26/2016)
- Service Company Utility Service Agreement (08/26/2016)
- Operating Companies NonUtility Companies Service Agreement (12/01/2011)
- Nuclear Services Agreement (06/30/2014) – Covered by operating companies.

- Asset Management Agreement (DEC and DEP) (10/05/2018) – Gas supply based on DEC and DEP merger.
- Tax Sharing Agreement (08/26/2016)
- Utility Money Pool Agreement (08/26/2016)
- Intercompany Asset Transfer Agreement (08/26/2016) – Asset transfers, but only separate agreement (Commodity and Equipment Transfer Agreement (08/05/2014)) for non-regulatory entities.
- Joint Generation and Transmission Planning Agreement (10/11/2013) – Prior to Piedmont, after DEP and PEP merger.

However, certain of these affiliate agreements remain unsigned, as the NCUC has not issued a final order approving them. DEC, DEP, and Piedmont have interim authority to operate under these agreements until the NCUC issues a final order approving them.[74]

Also, the Service Company charges for certain services under the Service Company Utility Service Agreement. Types of pass-through costs typically handled by the Service Company may include:[75]

- Finance & Accounting Services
- Insurance Premium Expense
- Advertising Expense
- Community Relations Projects
- Donations
- Employee Benefits Expense
- Dues / Subscriptions
- Merger Execution Costs
- Research & Development
- Miscellaneous Lease / Rent Expense

Internal Controls

Documentation provided describing internal controls of Duke Energy companies' relationship with holding company and its affiliates, especially involving (a) purchases on behalf of Duke Energy companies and (b) protection against irregular, illegal, and/or improper transactions is as follows.[76]

- Approval of Business Transactions (ABT) Policy - Frequently Asked Questions and Examples of Policy Application, which:[77]
  - Applies to the President and CEO and Senior Management Committee (SMC) members
  - Outlines minimum reviews and approvals required for the execution of transactions, comments, and forms necessary for the conduct of business concerning:
    - Duke Energy
    - Consolidated subsidiaries of Duke Energy (includes all Duke utilities)

    - Non-consolidated subsidiaries of Duke Energy
  - Includes authority limit matrix – indicates review and approval requirements and limits for different types of transactions and cost levels

- Delegation of Authority (DOA) Policy and Frequently Asked Questions, which approval limits for everyday transactions; for commitments of five years or less; does not allow employees to make commitments; and lists approval limits by management level.[78]
- Purchasing Control Policy (PCP) and Frequently Asked Questions, and the PCP was submitted for two information responses, as it defines roles, responsibilities, and requirements related to the procurement process.
  - Applies to purchases of all goods and services with some exceptions.
  - Single Sourcing – requires approval by a VP and Supply Chain; if over $250,000 must have documentation explain reason
  - Soul Sourcing – over $250,000 must be approved by Supply Chain
  - E-forms – must complete for single and soul sourcing
  - Corporate Cards – Visa/MC; Internal Audit uses algorithm to audit these transactions; no serious findings over the past five years; generally, a $5,000 limit with exceptions for frequent travel employees; rebate received on Corporate Cards; included in SOx controls
  - Segregation of Duties – prescribed separation based on activities; see SOx controls
  - Owner of policy – SVP Bryan Savoy, Chief Transformation & Administration Officer; used to be SVP, Chief Accounting Officer and Controller
- SOx controls – 1,100 SOx controls; five SOx staff; management testing of business type transactions/processes; test approximately 350 – 400 controls annually; selected based on assessed risk; IT SOx controls are tested by E&Y auditors.[79]

Our discussions about these internal controls included the Director, SC Compliance, Risk, & Supplier Delivery for the first three items above and the Manager, Accounting for the SOx controls.[80]

Refer to *Chapter III – Cost Accumulation and Assignment and Cost Allocation Methodologies* for detailed description regarding internal controls, but some information is provided below too.

Approval of Business Transactions – Frequently Asked Questions and Examples of Policy Application

The contacts for questions within Duke Energy is the Corporate Controller's Department, the Transaction and Risk Committee (TRC), and the Scrub Team.[81]

Examples of Applying the Provisions of the ABT Policy

Below in *Exhibit II-30* are some examples of applying the provisions of the ABT Policy:[82]

Exhibit II-30
Examples of Applying the Provisions of the ABT Policy

Example 1 – Term Limit

Transaction Description:
Duke Energy is planning to enter into a 5-year lease agreement with a total cost of $8 million.
Authority Limits Per the SMC member Matrix:
Refer to the Authority Limit Matrix for approval levels for the Capital Investments and Expenditures category which includes leases.
ABT Approval Requirement:
All capital leases need to be approved by the Treasurer. However, once approved, these leases can be executed by Treasury, Business Unit, or Corporate area personnel with an appropriate authority limit.
All operating leases are the responsibility of the appropriate Business Unit or Corporate area.

Example 2 – Term Limit

Transaction Description:
Duke Energy is planning to enter into a 10-year fixed price contract to purchase power (e.g., commodities contract) for $20 million.
Authority Limits Per the SMC member Matrix:
The SMC member has the following exception authority for fixed price contracts: ≤$100 million if term is <5 years or ≤$50 million, if term is ≥5 years and <10 years.
ABT Approval Requirement:
Since the term of the contract is not less than 10 years, this transaction must be reviewed by the TRC and approved by the President and CEO.

Example 3 – Joint Venture Transaction

Transaction Description:
Duke Energy plans to enter into a transaction with a joint venture. Duke Energy will own 20% of the joint venture. The total gross expenditures for the transaction are $75 million.
Authority Limits Per the SMC member Matrix:
Refer to the Authority Limit Matrix for approval levels Acquisitions/Mergers/Joint Ventures/Divestitures/ Investments in New Lines of Business/New or Unprecedented Transactions. The SMC member has authority of $5 million and no exception authority for this type of transaction.
ABT Approval Requirement:
Duke Energy's portion of the transaction is $15 million ($75 million X 20%). Since Duke Energy's portion of the cost exceeds the SMC member's authority of $5 million, this transaction must be reviewed by the TRC and approved by the President and CEO.

Example 4 – Non-binding Bid (Investment Activities)

Transaction Description:
Duke Energy plans to submit a non-binding offer (e.g., memorandum of understanding, indication of interest, letter of intent, indicative bid, etc.) for a real estate lease of 4 years. The gross expenditures of this offer are expected to be $55 million.
Authority Limits Per the SMC member Matrix:
Refer to the Authority Limit Matrix for approval levels for the Capital Investments and Expenditures category which includes leases.
ABT Approval Requirement:
Since the gross expenditures of $55 million exceeds the SMC member's authority limits for Capital Investments and Expenditures, then this non-binding offer must be approved by the CFO and notification to the President and CEO is required. Per the policy: **"**Non-binding bids (e.g., indicative bids, indications of interest, letters of intent, memorandums of understanding, or other non-binding bids or offers) require approval based on the dollar amount of the bid. Non-binding bids may be stated within a range of dollars, however the high end of the range determines the level of approval required. Term limits do not apply. A confirmation from Legal must be obtained supporting that the bid is non-binding. The TRC does not need to be notified of non-binding bids. Before a binding bid is made, normal approval protocol should be followed. If the dollar amount of the non-binding bid would require approval of the President and CEO and/or Board of Directors, then the Chief Financial Officer (CFO) must approve the non-binding bid. Notification to the President and CEO is required and must occur at least one business day prior to the extension of the non-binding bid. The request for approval by the CFO and the subsequent notification to the President and CEO and Legal, should include the following information:

- Subject – "Non-Binding Bid with Counter Party Name scheduled for Date"
- Project name and description
- Details of the non-binding bid
- Reason why this is a non-binding bid

- Legal department contact who reviewed the non-binding bid"

See Financial Analysis Manual for information to be provided to the CEO and CFO.

Example 5 – Non-binding Bid (Purchase or Sales of Commodities)

Transaction Description:
Duke Energy plans to submit a non-binding offer to purchase power (e.g., a commodities). The offer is for a fixed price of $55 million with a term of 10 years.

Authority Limits Per the SMC Member Matrix:
The SMC member has exception authority for this type of transaction of $100 million for fixed price contracts with terms of less than 5 years.

ABT Approval Requirement:
Since the **term limit requirements are not applicable to non-binding bids** and the amount of the offer is less than the SMC member's exception authority, this non-binding offer can be approved by the SMC member. Per the Policy:
"Non-binding bids (e.g., indicative bids, indications of interest, letters of intent, memorandums of understanding, or other non-binding bids or offers) require approval based on the dollar amount of the bid. Non-binding bids may be stated within a range of dollars, however the high end of the range determines the level of approval required. Term limits do not apply. A confirmation from Legal must be obtained supporting that the bid is non-binding. The TRC does not need to be notified of non-binding bids. Before a binding bid is made, normal approval protocol should be followed. If the dollar amount of the non-binding bid would require approval of the President and CEO and/or Board of Directors, then the Chief Financial Officer (CFO) must approve the non-binding bid. Notification to the President and CEO is required and must occur at least one business day prior to the extension of the non-binding bid. The request for approval by the CFO and the subsequent notification to the President and CEO and Legal, should include the following information:

- Subject – "Non-Binding Bid with Counter Party Name scheduled for Date"
- Project name and description
- Details of the non-binding bid
- Reason why this is a non-binding bid
- Legal department contact who reviewed the non-binding bid"

Example 6 – Cost Overrun/Change in Scope/Additional Funding (Overrun approval by the President and CEO)

Transaction Description:
A transaction was originally approved in October 2014 for $5 million. The project has a cost overrun due to an unforeseen increase in costs of $16 million; total cost of the project is now $21 million. This project was not originally approved by the President and CEO.

Authority Limits Per the SMC member Matrix:
Refer to the Authority Limit Matrix for approval levels for cost overruns/scope changes/additional funding for previously approved transactions.

ABT Approval Requirement:
Per the Authority Limit Matrix, some SMC members have cost overrun authority of $5 million and others have $10 million. Since the overrun in this example exceeds the limit of the SMC members, the cost overrun must be reviewed by the TRC and approved by the President and CEO.

Example 7 – Cost Overrun/Change in Scope/Additional Funding (Overrun within SMC Member Authority with notification to the President and CEO)

Transaction Description:
A construction project was approved by a Regulated Executive in October 2014 for $45 million. The project has a cost overrun due to a change in scope of $8 million; total cost of the project is now $53 million. This project was not originally approved by the President and CEO.

Authority Limits Per the SMC Member Matrix:
Refer to the Authority Limit Matrix for approval levels for cost overruns/scope changes/additional funding for previously approved transactions.

ABT Approval Requirement:
Since the overrun does not exceed the Regulated Executive's (or the SMC member's) $10 million authority limit for "Cost Overruns/Scope Changes/Additional Funding for Previously Approved Transactions", the change in scope can be approved by the SMC member. However, since the overrun caused the total project cost to exceed the SMC member's Capital and Investments and Expenditures standard authority of $50 million, a brief informational report regarding the transaction must be provided to the President and CEO and the CFO.

Example 8 – Cost Overrun/Change in Scope/Additional Funding

Transaction Description:
Duke Energy entered into a contract with Company A in 2015. This contract was approved by the President and CEO and the Board of Directors. Duke Energy plans to enter into an amended contract with Company A. This amendment

is not expected to change the gross expenditures associated with the contract but does materially modify certain other provisions of the contract.

Authority Limits Per the SMC Member Matrix:

Refer to the Authority Limit Matrix for approval levels for cost overruns/scope changes/additional funding for previously approved transactions.

ABT Approval Requirement:

Since the contract that was originally approved by the President and CEO and the Board of Directors is being materially modified (even though the modification does not have a monetary impact), a brief informational report must be provided to the TRC. The TRC will determine if notification to or re-approval by the President and CEO is required.

Source: Information Response 10

Frequently Asked Questions

Below in *Exhibit II-31* are some frequently asked questions regarding applying provisions of the ABT Policy:[83]

Exhibit II-31
ABT Policy Frequently Asked Questions

1. **Q.** ***The definition of transaction amount for ABT approval purposes is very broad. What types of costs should be included when determining the transaction amount?***

   A. The types of costs to be incurred will vary from project to project. For construction projects, costs might include such items as:

   - Allowance for funds used during construction/interest during construction
   - Company labor costs, including pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendent, etc.
   - Contract labor
   - Pensions and fringe benefits
   - Transportation and use of vehicles
   - Machine equipment and tool usage
   - Shop service
   - Property protection
   - Permits
   - Rents of property during construction period
   - Insurance
   - Sales and property taxes
   - Land
   - Materials and supplies
   - Overheads, including portion of pay and expenses of the general officers and administrative and general expenses applicable to construction work

   Policy Statement – For approval purposes under this Policy, the transaction amount is broadly defined and is based on expected gross, aggregate expenditures and commitments (including debt, lease obligations, and other liabilities). The expenditures and commitments are considered in nominal dollars and not present value amounts.

2. **Q.** ***If the estimated costs of a project are a range, should the high, middle or low point of the range be used to determine the approval requirements?***

   A. Use the high end of the range to determine transaction approval requirements.

3. **Q.** *For approval purposes, what is the appropriate value for a transaction involving the disposal of an impaired asset?*

   A. The asset should be valued at the higher of the net book value or sales price.

   Policy Statement - For approval of divestitures (removal of assets from the books, sale/exchange of ownership stakes, closure of subsidiaries), the capital amount is the higher of the net book value or sales price.

4. **Q.** *Duke Energy is purchasing an entity, which includes Duke Energy intercompany debt as part of the entity. Can the amount of the transaction be reduced by the intercompany debt?*

A. No, the ABT Policy requires that transactions be analyzed using the gross, aggregate expenditures and commitments.

Policy Statement – For approval purposes under this Policy, the transaction amount is broadly defined and is based on expected gross, aggregate expenditures and commitments (including debt, lease obligations, and other liabilities). The expenditures and commitments are considered in nominal dollars and not present value amounts.

5. **Q.** *Duke Energy leases owned equipment to customers for purposes of onsite generation, electrical infrastructure, etc. which is installed at customer sites. The customers typically provide a fixed monthly payment to Duke Energy for the cost of the equipment and ongoing operating expenses, plus a markup. The term of the lease is generally between 7 and 12 years. At the end of the lease term the customer has the option to buy the equipment at fair market value, terminate the contract and remove the equipment or renew at the same or modified rate. In other cases, the customer may be required to take ownership of the equipment at a fixed price. Would the term length of these leases be a determining factor to require a higher approval level in accordance with the ABT Limit Matrix? Does the answer change if there is a maintenance agreement beyond the typical lease term?*

   A. The lease contracts defined by this question should be evaluated for approval level based upon the limits of the Capital and Other Expenditures transaction type. These are typically low dollar transactions which are secured by the equipment being leased so absent additional risk factors it is not the policy's intention to require higher approval for these transactions simply due to the length of the lease payments as the term length for these transactions does not materially impact the aggregate expenditures or commitments of the company. A maintenance agreement related to the equipment should be assessed with consideration of the aggregate company expenditures and commitments and calculated based upon the amount of years committed after transfer of asset ownership (if any) to determine required approvals. Maintenance during the term of asset ownership can be deemed as normal course of business.

6. **Q.** *Duke Energy has a 20% ownership in an entity (subsidiary/jointly owned facility). For transactions relating to this entity, does the transaction amount for ABT approval purposes consider this 20% ownership?*

   A. Yes, for any entity which Duke Energy has a less than a 100% ownership, the gross transaction amount should be pro-rated based on Duke Energy's ownership share. The transaction should be approved by appropriate personnel based upon the pro-rated transaction amount.

   For example, if there is a joint venture where Duke Energy owns 20% of an entity Y and entity Y is entering into a transaction for $50 million dollars, the approval limit would be calculated as follows: $50 million * 20% = $10 million

   The appropriate individual in the business unit/corporate area with $10 million of authority may approve this type of transaction on behalf of Duke Energy.

   Policy Statement - Transactions involving less than 100% owned Duke Energy subsidiaries or jointly owned facilities must be approved by individuals with the appropriate authority limits based on Duke Energy's direct or indirect ownership percentage in the subsidiary/jointly owned facility or the amount of the transaction attributable to Duke Energy, whichever value requires the higher level of approval.

7. **Q.** *If a Duke Energy subsidiary, such as DE Ohio, is providing services to another Duke Energy subsidiary, such as DE Carolinas, is this covered by the ABT Policy?*

   A. Yes, this type of intercompany transaction is considered a capital investment and expenditure and is covered by the ABT Policy and the DOA Policy.

8. **Q.** *Does the ABT Policy apply to non-consolidated subsidiaries?*

   A. While the ABT Policy does not apply directly to non-consolidated subsidiaries; it does apply to all employees of Duke Energy that hold seats on the Board of Directors or other voting representatives of the non-consolidated subsidiary. The Duke Energy employees can only approve transactions of the subsidiary which are in accordance with their Duke Energy authority limits.

   Policy Statement - This Policy outlines the minimum reviews and approvals required for the execution of transactions, documents and forms necessary for the conduct of business of (1) Duke Energy Corporation (Duke Energy), (2) subsidiaries of Duke Energy that are treated by it as consolidated subsidiaries for accounting purposes, and/or (3) non-consolidated subsidiaries of Duke Energy that require the approval or consent of (i) Duke Energy, or any of its wholly-owned subsidiaries, or (ii) any board member or other voting representative appointed by Duke Energy or any of its wholly-owned subsidiaries.

   Policy Statement – Transactions involving less than 100% owned Duke Energy subsidiaries must be approved by individuals with the appropriate authority limits based on Duke Energy's direct or indirect ownership percentage in the subsidiary or the amount of the transaction attributable to Duke Energy, whichever value requires the higher level of approval.

9. **Q.** *Duke Energy will enter into a contract on October 1st, 2014 to provide power to another company during 2016 through December, 2020. Per the ABT Policy, how would the term be measured, from the date that the contract is being entered into or the date we are obligated to provide service?*

   A. The contract's term starts in the calendar year that the contract is executed. Since this contract was executed on October 1st, 2014, and the Company is obligated to provide services through December 2020, the term of the transaction is 6 years, 3 months.

   Policy Statement – The measurement period for the term limit requirement includes the current calendar year the transaction is entered into, regardless of the obligation start date, through the end date of the transaction.

10. **Q.** *Do non-binding bids need to be approved?*

    A. Yes, non-binding bids need to be approved in accordance with the ABT Policy and/or Delegation of Authority (DOA) authority limits.

    Policy Statement – Non-binding bids (e.g., indicative bids, indications of interest, letters of intent, memorandums of understanding, or other non-binding bids or offers) require approval based on the dollar amount of the bid. Non-binding bids may be stated within a range of dollars, however the high end of the range determines the level of approval required. Term limits do not apply. A confirmation from Legal must be obtained supporting that the bid is non-binding. The TRC does not need to be notified of non-binding bids. Before a binding bid is made, normal approval protocol should be followed. If the dollar amount of the non-binding bid would require approval of the President and CEO and/or Board of Directors, then the Chief Financial Officer (CFO) must approve the non-binding bid. Notification to the President and CEO is required and must occur at least one business day prior to the extension of the non-binding bid. The request for approval by the CFO and the subsequent notification to the President and CEO and Legal, should include the following information:

    - Subject – "Non-Binding Bid with Counter Party Name scheduled for Date"
    - Project name and description
    - Details of the non-binding bid
    - Reason why this is a non-binding bid
    - Legal department contact who reviewed the non-binding bid

11. **Q.** *I have a nuclear fuel contract which includes both a Fixed Price and Indexed Price component. Which sub-category of the Purchases or Sales of Commodities, Storage, Transportation or Capacity, or Other Sales transaction type within the ABT Policy should be used?*

    A. The contract should be approved by an individual with the appropriate approval level for both the Fixed Price and Indexed Price sub-categories.

    Example #1 The Senior Management Committee (SMC) member has authority limits of $100 million for fixed price contracts and $500 million for indexed priced contracts. If a transaction has a fixed price component of $100 million and an indexed price component of $112 million, the contract can be approved by the SMC member, since he/she has both the appropriate Fixed Price and Indexed Price authority limits.

    Example #2 The SMC member has authority limits of $100 million for fixed price contracts and $500 million for indexed priced contracts. If a transaction has a fixed price component of $112 million and an indexed price component of $130 million, the ***entire*** contract must be approved by the President and CEO, since one of the components exceeds the SMC member's authority limit. (e.g., the $112 million fixed price component exceeds the $100 million limit of the SMC member).

12. **Q.** *What are indicators of a cost overrun?*

    A. Project management should continually monitor the status of projects, including the status of total project costs. The following situations are events that may cause cost overruns and should be evaluated to determine if additional approvals may be required:

    (1) a discretionary change in scope
    (2) an NPV/IRR less than the minimum approval hurdle rate
    (3) labor strife
    (4) unforeseen weather impacts
    (5) change in generating capacity
    (6) significant change in material costs

13. **Q.** A *project has a cost overrun that does not exceed my authority limit for Cost Overruns/Scope Changes/Additional Funding for Previously Approved Transactions. However, when combined with the original project cost, the total project cost exceeds my delegated authority. Can I approve this overrun?*

A. Yes, you can approve the overrun. However, since the overrun caused the total project cost to exceed the SMC member's authority limit for this type of transaction, a brief information report must be provided to the President and CEO and CFO.

Policy Statement - A brief informational report must be provided to the President and CEO and CFO for cost overruns/scope changes/additional funding for previously approved transactions approved by the SMC member that result in total cost exceeding their normal authority.

14. **Q.** *If a project has a cost overrun that is due solely to a change in AFUDC/capitalized interest rates, does the project overrun need to be approved under the cost overrun criteria?*

    A. Yes, the total project cost, including AFUDC, should be used to evaluate whether or not the project has incurred a cost overrun. The ABT Policy thresholds must be used to determine who can approve any overrun.

15. **Q.** *If a project has multiple cost overruns, how are the approvals required for overruns determined?*

    A. The following examples are based on the current determination of overrun authority of the CEO which is the greater of $50 million or 20% of the Original Project Approval, subject to a limitation of $200 million – Regulated; $150 million – Commercial; or $75 million - International. Approval authority for overruns will be based on the cumulative amount of the overruns. Upon approval by the Board of the revised estimate, the CEO's overrun approval limit is restored.

    I. Projects Not Requiring Approval by Board of Directors:
    For projects that do not initially or subsequently require approval by the Board of Directors, overruns will be measured against original approved amounts, and approval authority for overruns will be based on the cumulative amount of the overruns compared to the amount that was originally approved.

    II. Projects Requiring Approval of Board of Directors:
    Projects that require approval by the Board of Directors, either initially due to materiality of the original project costs or subsequently due to cumulative cost overruns, require special attention. For these projects, the approval authority for overruns should be determined based on the cumulative amount of the overruns compared to the amount that was originally approved including any previously Board approved overruns. Once the Board has approved a revised project cost estimate, the revised Board approved estimate will be used to determine future approval authority for overruns. Accordingly, the CEO and each SMC member's original level of approval authorization for project overruns shall be restored. No increase in approval authority is given to the CEO based on the revised estimated project costs.

16. **Q.** *What foreign exchange (FX) rate should be used to determine an overrun for an international project? Should the historical rate at the time of the original approval be used, or should the current foreign exchange rate be used?*

    A. The historical rate at the time of the original approval should be used to determine the amount of any cost overrun. When the cost of an international project changes from the original estimate, the components of the increase will be calculated so that the true overrun component is identified. A change in the FX rate that causes the cost of an international project to increase would not constitute a cost overrun, in and by itself. Conversely, a change in the FX rate that would cause a reduction in the cost of an international project cannot be combined with other cost impacts to mask a true cost overrun. The total project costs at the current exchange rate should also be provided to management, pursuant to the Financial Analysis Manual.

17. **Q.** *There is a project that was originally approved by the President and CEO that has a material change in scope, but does not have a material monetary impact. Are there any additional steps that need to be taken?*

    A. Yes, a brief informational report must be provided to the TRC. The TRC will determine if notification to or re-approval by the President and CEO is required.

    Policy Statement - A brief informational report must be provided to the TRC for material changes in project scope for transactions that do not have a monetary impact (e.g., a change in the location of a proposed power plant, a significant change in counterparties involved in the project) which were originally approved by the President and CEO and/or Board of Directors. The TRC will determine if notification to or re-approval by the President and CEO is required.

18. **Q.** *Who should approve a legal settlement?*

    A. Any legal settlement should be jointly approved by the Business Unit and Legal in accordance with the Authority Limit Matrix and the Legal Settlement Policy.

19. **Q.** *Who should approve changes in our legal structure?*

    A. Any changes in legal structure should be approved in accordance with the Creation, Dissolution, or Restructuring of Legal Entities and Subsidiaries Policy.

20. **Q.** *How can I determine if a transaction requires Board of Directors approval?*

A. The ABT Policy specifies the authority limits for the President and CEO. All transactions exceeding the specified authority limits for the President and CEO must be approved by the Board of Directors and/or the Finance & Risk Management Committee (FRMC). Transactions which require FRMC approval include: Cost Overruns/Scope Changes/Additional Funding for Previously Approved Transactions and Incurrence of Debt, Issuance of all Corporate Securities, Excluding Common Stock.

21. **Q.** *How can I determine the authority limits for a SMC member?*

    A. The Authority Limit Matrix included in the ABT Policy specifies the limits for each SMC member and any existing exception authority for each SMC member.

22. **Q.** *Due to business needs, a SMC member needs an exception to his/her authority limit. What is the process to request such an exception?*

    A. Requests for exceptions to a SMC member's authority limits must be approved by the Chief Accounting Officer and Controller and the President and CEO. A request supporting the need for the exception should be submitted to Internal Controls for review prior to submission to the Chief Accounting Officer and Controller and the President and CEO. See the Request for Exception to the Approval of Business Transactions (ABT) Authority Limits form for additional guidance and direction.

    Policy Statement – Through the ABT Policy exception process, the President and CEO may delegate his/her authority limits to another individual within Duke Energy, as business needs dictate. The President and CEO and the Chief Accounting Officer and Controller must approve all exceptions to the SMC members' standard authority limits. For further guidance and direction on the ABT Policy exception process, see Request for Exception to the Approval of Business Transactions (ABT) Authority Limits.

23. **Q.** *Can a component of a previously approved transaction be executed by an individual if the amount of the component exceeds that individual's normal approval authority?*

    A. Yes, components of a previously approved transaction, including related contracts or other legally binding agreements, may be executed by an individual of the Company with the appropriate authority (e.g. officer of the Company, purchasing agent, or other individual authorized to take action by the Board of Directors) and within compliance with the Purchasing Policy.

24. **Q.** *Are there other policies that should be considered when reviewing the ABT Policy?*

A. Yes, the following policies are also applicable when reviewing the ABT Policy, depending on the type of transaction being reviewed:

- Request for Exception to ABT Authority Limits
- Delegation of Authority
- TRC Guidelines
- Financial Analysis Manual
- Financing Activity and Financial Risk Management Policy
- Enterprise Risk Management Framework
- Credit Policy
- Credit Delegation of Authority
- Intercompany Funding Policy
- Purchasing Controls Policy
- Legal Settlement Policy
- Commodity Risk Policy
- Creation, Dissolution, or Restructuring of Legal Entities and Subsidiaries
- Project Management Center of Excellence (PMCoE)
- Legal Services Portal Page - Corporate Governance
- Purchasing Authority Policy
- Surety Bonds Policy

You will also need to check with your management on any business unit/department specific policies that may exist within your business area.

Source: Information Response 10

Delegation of Authority Policy and Frequently Asked Questions

Delegation of Authority Policy

Effective 8/31/2000 but revised 2/1/2014, the *Statement of Purpose and Philosophy* is:[84]

> This policy establishes the approval authority limits for all employees within the organization below the Senior Management Committee. Approval authority limits for the Board of Directors, President and Chief Executive Officer (CEO), and Senior Management Committee members are defined in the Approval of Business Transactions (ABT) Policy. Employees based outside of the United States are covered by the Delegation of Authority Policy – International Employees. This policy does not provide for every possible scenario regarding approval limits and is not a substitute for good judgment or communication.

The scope of the policy applies to business transactions that are part of an individual's normal course of business for commitments of five years or less. It applies to routine transactions including, but not limited to, invoice approvals, requisition approvals, employee expense approvals, and project approvals. For clarification, the Delegation of Authority Policy (DOA) does not authorize employees to contractually commit the company, i.e., execute a contract. All contracts, regardless of amount, must be signed by an Officer of the legal entity making the commitment, purchasing agent, or other individual authorized to take action by the Board of Directors. A listing of Officers can be found on the Legal Services Portal Page – Corporate Governance. Transactions that are not part of an individual's normal course of business including acquisitions, mergers, joint ventures, divestitures, and investments in new lines of business are not covered by the standard approval authority limits set forth in this policy. Unless an exception has been granted, all transactions of this nature must be approved by a member of the Senior Management Committee or higher in accordance with the ABT Policy. Transactions with terms greater than five years also require approval in accordance with the ABT Policy. Other policies that address approval limits for specific transactions or commitments will take precedence over the Delegation of Authority (DOA) Policy. Examples include, but are not limited to: Commodity Risk Policy and Credit Delegation of Authority as amended from time to time. In addition, transactions for the purchase of goods and services are subject to the Purchasing Controls Policy and the Purchasing Authority Policy.[85]

Also provided in this policy is:[86]

- Roles and Responsibilities
- Standard Approval Authority Limits
- Approving Supplemental Funding Requests for Capital Investments and Other Expenditures
- Exceptions to Standard Approval Authority Levels
- Related Documents
  - Delegation of Authority – International Employees
  - DOA Frequently Asked Questions
  - DOA Inquiry Tool
  - Approval of Business Transactions Policy
  - Approval of Business Transactions Frequently Asked Questions

- Purchasing Controls Policy
- Purchasing Authority Policy
- Delegation of Authority Portal Page
- Legal Services Portal Page – Corporate Governance

DOA Frequently Asked Questions

Frequently asked questions and associated answers are provided in *Exhibit II-32*.[87]

Exhibit II-32
DOA Frequently Asked Questions & Answers

Purpose and Scope of Policy

- ***Who does the DOA Policy apply to?*** The DOA Policy applies to all employees and contingent workers of Duke Energy Corporation excluding employees that are based outside of the United States (i.e., DEI "in country" employees—refer to separate DOA Policy for "in country" DEI employees). It also excludes Duke Energy's Board of Directors, the President and CEO, and Senior Management Committee members as these individuals are covered by the Approval of Business Transactions (ABT) Policy.
- ***Does the DOA Policy apply to non-consolidated subsidiaries?*** No, the DOA Policy does not apply to non-consolidated subsidiaries. However, the policy does apply to all employees of Duke Energy that hold seats on the Board of Directors or other voting representatives of the non-consolidated subsidiary. The employees can only approve transactions of the subsidiary which are in accordance with their Duke Energy authority limits.
- ***How do I know if a transaction falls under the DOA Policy or the ABT Policy?*** The ABT Policy establishes the approval authority limits for Duke Energy's Board of Directors, President and CEO, and Senior Management Committee members. The DOA Policy establishes the approval authority limits for employees not included in the aforementioned groups for transactions performed in their normal course of business. Additionally, the DOA policy covers transactions with terms of five years or less. The ABT policy covers transactions with terms greater than five years.
- *What transactions are considered to be a part of your normal course of business?* These are transactions that are inherent to your job to support the operations of your business area. These transactions should be a normal part of your job and may be performed by you on a regular or infrequent basis. Transactions include, but are not limited to, invoice approvals, employee expense approvals, requisition approvals, and project approvals. It also applies to transactions unique to a particular function, such as real estate purchases for the Real Estate Department and short-term cash investments for the Treasury Department. However, it should be noted that transactions with terms greater than five years and certain transactions, such as acquisitions, mergers, joint ventures, divestitures, and investments in new lines of business, are never considered part of an individual's normal course of business.
- ***What is considered to be outside your normal course of business?*** Per the ABT Policy, transactions with terms greater than five years and certain transactions, such as acquisitions, mergers, joint ventures, divestitures, and investments in new lines of business, are never considered part of an individual's normal course of business, Accordingly, unless "exception" authority has been granted, these transactions must be approved by a Senior Management Committee member or higher in accordance with the ABT Policy. Please contact the Supply Chain Help Desk for assistance in requesting exception approval authority.
- ***If a Duke Energy subsidiary, such as DE Ohio, is providing services to another Duke Energy subsidiary, such as DE Carolinas, is this covered by the DOA Policy?*** Yes, this type of intercompany transaction is covered by the DOA Policy.
- ***There is a transaction with an entity in which Duke Energy has 20% ownership. Does the transaction amount consider the 20% ownership?*** Yes, for any entity in which Duke Energy has less than 100% ownership, the gross transaction amount should be pro-rated based on Duke Energy's ownership share. The transaction should be approved by appropriate personnel based upon the pro-rated transaction amount. For example, if there is a joint venture where Duke Energy owns 20% of an entity Y and entity Y is entering into a transaction for $10 million dollars, the approval limit would be calculated as follows: $10 million * 20% = $2 million. A person with $2

million or higher of approval authority may approve this type of transaction on behalf of Duke Energy.

- ***Is the category of "Supplemental Funding Requests addressed in the DOA Policy?*** Yes, the DOA Policy standardizes the re-approval process for project cost overruns for Capital Investments and other Expenditures. Employees' standard DOA amounts will be their approval authority limit for project approvals and re-approvals. The ABT Policy establishes thresholds over which the Senior Management Committee member must approve the total expected project expenditure regardless of whether the original approver has sufficient DOA. See the Supplemental Funding Request section in this document for further explanation.
- ***Will approvals for Change Orders fall under the new DOA Policy?*** Yes, Change Order Requisitions follow the standard DOA approval limits determined by an employee's level in the organization. Change Order Requisitions should be written at the incremental change amount. When Change Orders are applied to purchase orders and contracts, Supply Chain approves them for the new total amount following the purchasing approval limits defined by the Duke Energy Chief Procurement Officer (CPO) in the Purchasing Authority Policy.
- ***Can I approve contracts up to my DOA amount?*** Contracts that are under $100K that have been approved pursuant to the Delegation of Authority Policy must also be signed by an Officer, purchasing agent, or other individual authorized to take action by the Board of Directors. Contracts that are $100K and above must follow the approval guidelines outlined in the Purchasing Controls Policy.
- ***Am I able to approve a transaction that is a normal part of my job but includes a commitment of more than 5 years?*** No, the standard approval authority limits in the DOA Policy relate only to transactions with terms of five years or less. Transactions with terms greater than five years require approval in accordance with the ABT Policy. It should be noted that certain exceptions to the ABT Policy relating to transaction terms have been granted to Senior Management Committee members.
- ***I have a transaction with a term of 4 years. How do I determine the transaction amount for DOA approval purposes?*** The transaction amount must be approved based on the gross, aggregated expenditures and commitments (including debt, leases, and other liabilities) for the full 4 year term. Expenditures and commitments are to be considered in nominal dollars and not present value amounts.
- ***According to the DOA Policy, transactions greater than five years require approval in accordance with the ABT Policy. If Duke Energy enters into a contract on October 1st, 2012 to provide power to another company during 2014 through December, 2018, how do I calculate the contract term for purposes of the DOA and ABT policies in order to determine which policy applies?*** For DOA and ABT Policy purposes, the contract term starts on the date that the contract is executed. Since this contract was executed on October 1st, 2012, and the Company is obligated to provide services through December 2018, the term of the transaction is 6 years, 3 months. Therefore, the project would require approval in accordance with the ABT Policy.
- ***Are pricing agreements covered by the DOA Policy?*** No, pricing agreements are covered by the Purchasing Controls Policy. For more details on pricing agreements, please reference that policy.
- ***Are there other policies that should be considered when reviewing the DOA Policy? What (if any) policies might supersede the DOA Policy?*** Yes, the DOA Policy states that other corporate policies that address approval limits for specific transactions will take precedence over the DOA Policy. Below are corporate-wide policies that supersede the DOA Policy:
  - Commodity Risk Policy
  - Credit Delegation of Authority
  - Surety Bonds Policy
  - Intercompany Funding Policy
  - Purchasing Authority Policy
  - Legal Settlement Policy

  You will also need to check with your management on any business unit/department specific superseding policies that may exist within your business area.
- ***Will commodity transactions be affected by the new DOA Policy?*** No. The Commodity Risk Policy and Credit Risk Limits are considered superseding policies. The approval authority levels in those policies take precedence over the standard approval authority levels in the DOA Policy as it relates to the specific transactions covered by the Commodity Risk and Credit Risk policies.

Standard and Exception Approval Authority Limits

- ***How are the Standard Approval Authority Limits in the DOA Policy determined?*** All job titles in the Corporate HR system are mapped to approval authority levels as defined in the DOA Policy. Therefore, every person is mapped to one of these levels in the HR system by virtue of their job title.
- ***How do I determine my approval authority limits?*** You may use the DOA Inquiry Tool to view your standard approval authority limit, and approved exception authority. It should be noted that the amount displayed in the DOA Inquiry Tool depicts the standard authority limit associated with your specific position/level within the Company. However, you may not execute transactions using this authority unless it has been granted by your management (e.g., management approval of system access, etc.). Further, all superseding policies (i.e., policies that address approval limits for specific transactions) take precedence over this standard authority limit. You should confirm that no superseding policies exist for a specific transaction (e.g., Credit Risk Policy) before executing on this authority. A listing of enterprise-wide superseding policies can be found on the Portal > Our Company > Policies page. Lastly, please check with your management on any business unit/department specific superseding policies that may exist within your business area.
- ***How do I find out which systems I or my employees have access to?*** Contact the Supply Chain Help Center at 704-382-5574 or 800-777-0005. The DOA Policy does not replace the current system access approval processes. When system access is approved, the amount of approval authority is already known per the DOA Policy and does not require a separate DOA form to be completed.
- ***There is an Individual Contributor Level of $5,000 in the Standard Approval Authority Limits Table in the DOA Policy. Also, there is a footnote below the table addressing two additional approval levels for an Individual Contributor. Why is there a need to have different approval levels for an Individual Contributor?*** Certain Individual Contributors, such as engineers, scientists, material planners, project/product managers, and certain technicians need higher approval authority limits to perform their job duties. These specific positions will be associated within the DOA database to an approval level of $50,000 or $100,000, as determined by business needs.
- ***The current DOA Policy indicates that as an Individual Contributor, I have $5,000 of authority. Can I now approve transactions up to $5,000?*** Not necessarily. The approval authority levels in the DOA Policy reflect the enterprise-wide standard approval levels deemed appropriate for each of Duke Energy's employee levels. The fact that a standard approval authority of $5,000 has been assigned to Individual Contributors doesn't change any aspects of your current job or provide you with the authority to perform any duties or approve any transactions that were not previously part of your job. In order to approve transactions, your management's approval to access Supply Chain or other systems is still required.
- ***What if my job requires a higher approval limit than the standard DOA limit?*** DOA exceptions should be minimal and only requested when there is a business need. Employees may obtain a higher approval authority limit by requesting an exception to the DOA Policy via the online DOA Exception Request Form. The request must be approved by the employee's manager and a higher level of management.
- ***Who can approve DOA exception requests?*** The employee's manager initially approves a DOA exception request. A second approval is provided by a higher level of management as follows: The level of management below a Direct Report to the President and CEO can approve certain requests such as invoice and requisition exceptions up to their DOA amount. Standard DOA exception requests that exceed their DOA level must be approved by a Direct Report to the President and CEO. ABT exceptions must be approved by a Senior Management Committee member.
- ***What if a transaction has a term limit of greater than five years?*** Exceptions to term limits may be delegated by Senior Management Committee members. They cannot, however, delegate term limits that they themselves do not have. Term limit exceptions are not tracked in the DOA inquiry tool and therefore must be maintained by the business unit.
- ***Should I change the job title of one of my employees in order to obtain a higher approval authority limit for this individual?*** No, DOA approval authority limits should never influence an employee's job title. Management should work with their HR Business Partner to determine appropriate job titles based on job duties and skill level. If business needs warrant a higher approval authority limit for an employee, you can authorize a higher approval limit to this individual by completing the online DOA Exception Request Form. This request must be approved by the employee's manager and the applicable Direct Report to the President and CEO or the next level of management below the Direct Report.
- ***Can I use the online DOA Exception Request Form to lower an employee's Standard Approval Authority Limit?*** No, the DOA Exception Request Form can only be used to increase an employee's Standard Approval Authority Limit. A validation is built into the form to prevent requests to decrease approval limits. To simplify the DOA process and drive out inefficiencies, the Company has designed the Standard Approval Authority Limits table to

give most employees adequate approval authority to do their job and to limit the need for exceptions. Outside of the DOA Policy and Exception Request Form process, you may develop departmental guidelines to further restrict approval authority limits for your business area. Any monitoring or controls around these more restrictive approval limits must be performed by the affected department.

- ***I recently transferred to a new position in another department. Will my authority limits from my previous position automatically transfer with me to my new position?*** No, assuming you maintain your previous system accesses, your "standard" DOA will be modified to reflect your new HR level. Any previous "exception" DOA amounts will be deactivated. If these "exceptions" are still required in your new position, they can be reactivated via the DOA exception form.
- ***I recently transferred to a new position. My predecessor in this position had DOA exceptions. Will my predecessor's DOA exceptions automatically transfer to me?*** No, if your new position still requires the DOA exceptions that your predecessor had, a request for these DOA exceptions must be submitted via the online DOA Exception Request Form.
- ***How will Wire Transfers or ACHs be affected by the DOA Policy?*** Manual wire transfer and ACH requests will continue to require two signatures if submitted directly to Treasury. Treasury will utilize the DOA Inquiry Tool to validate that at least one of the approvers has sufficient approval authority for the dollar amount of the wire transfer or ACH request. If the request is processed through Accounts Payable, only one valid electronic approval is required. Refer to the Wire Transfer Policy for additional information.
- ***Do the standard approval authority limits in the DOA Policy apply to Purchase Order approval authority? Who has Purchase Order approval authority and how is it obtained?*** No, the standard approval authority limits established by the DOA Policy do not apply to Purchase Order approvals. Approval authority for purchase orders is limited to individuals with purchasing responsibilities, primarily in the Supply Chain organizations. Approval authority limits for purchasing is delegated by the Duke Energy Chief Procurement Officer (CPO) per the Purchasing Authority Policy.

- **Supplemental Funding Requests for Capital Investments and Other Expenditures**

- ***A project has a cost overrun or requires supplemental funding. Who should approve this?*** It must be approved by the person with the appropriate level of DOA for the new total project cost (the original project cost and the cost overrun). However, departmental guidelines may dictate additional re-approvals or notification requirements. It is the responsibility of each business area to establish and maintain appropriate processes to monitor project expenditures and overruns. In addition, per the ABT policy, cost overrun thresholds have been established. When the overrun exceeds these thresholds, project re-approval is required by a Senior Management Committee member regardless of whether the original approver has sufficient DOA.
- ***What "form" is used for supplemental funding approval for O&M and Capital projects?*** For DOA purposes, the mechanism used for the original project approval should be used for any supplemental funding approvals. An example is the 201 Form.
- ***A manager approves a Supply Chain requisition of $400,000. A change order requisition is processed for $150,000. Can the same manager approve the $150,000 change order requisition, even though the revised purchase order total of $550,000 exceeds their $500,000 DOA limit?*** Yes, supplemental funding is not applicable to individual Supply Chain transactions such as requisitions. Supplemental funding is only applied to total "Project" costs.

Source: Information Response 10

Purchasing Control Policy and Frequently Asked Questions

Purchasing Control Policy

Effective 3/31/2004, but revised 9/1/2017, the *Statement of Purpose* is:[88]

> This policy defines the roles, responsibilities, and requirements related to the procurement process at Duke Energy Corporation and its subsidiaries (Duke Energy or the Company). Specific topics addressed include required approvals, the sourcing process, contract formation, segregation of duties, and standards of business conduct.

Also provided in this policy is:[89]

- Accountability: Roles and Responsibilities
- Standards/Requirements
- Contract Formation
- Purchasing Process Guidelines
- Changes in any Contract Terms Requirements, or Work Scope
- Confidentiality
- Segregation of Duties
- Standard of Business Conduct and Ethics
- Sourcing Requirements Summary
- Related Links
  - Purchasing Controls Policy - Frequently Asked Questions
  - Purchasing Authority Policy
  - Business Courtesy Policy
  - Brand Policy
  - Contingent Workforce Policy
  - Diversity and Inclusion
  - Approval of Business Transactions Policy
  - Delegation of Authority
  - Sales/Use and Excise Tax Policy
  - Records and Information Management (RIM) Compliance Policy
  - Code of Business Ethics
  - Legal Services Portal Page - Corporate Governance
  - FCPA - Compliance with the Foreign Corrupt Practices Act Policy
  - Engaging Major Accounting Firms for All Services Policy
  - Engaging The Independent Auditor For Services
  - IT 200 Information Technology Asset Management
  - EHS Risk Categorization

Frequently Asked Questions

Frequently asked questions and associated answers are provided in *Exhibit II-33*.[90]

Exhibit II-33
Purchasing Control Policy Frequently Asked Questions

1. **Q.** *Can I sign a contract or contractually commit the company to purchase goods and/or services up to my Delegation of Authority (DOA) Policy* ***standard or exception approval authority*** *limits?*

   A. Only a limited number of individuals outside of Supply Chain and Designated Sourcing personnel can contractually commit the company, i.e., execute a contract or statement of work:

   i. Senior Management Committee members, consistent with the Approval of Business Transactions (ABT) Policy.
   ii. Individuals in exception categories, as noted in PCP Policy, with signature authorization granted by the Board of Directors of the relevant legal entity.
   iii. An Officer of the legal entity making the commitment, or other individuals authorized to take action by the Board of Directors may execute contracts under $100,000 pursuant to the DOA Policy. A listing of Officers can be found on the Legal Portal Page under Corporate Governance.

   Note: The individuals above conducting the transaction shall comply with the PCP policy. This includes, but it not limited to, complying with Duke Energy's standard set of terms and conditions with any legal exceptions approved by the Legal Department.

2. **Q.** *If I have a DOA standard approval authority limit of $500,000, why can't I sign a contract up to that limit?*

   A. Your DOA standard approval authority limit applies to business transactions that are part of an individual's normal course of business for commitments of five years or less. It applies to routine transactions including, but not limited to, invoice approvals, requisition approvals, employee expense approvals, and project approvals. It does not give you the authority to execute a contract, except for those individuals noted in Question 1.

3. **Q.** *Who does the PCP Policy apply to?*

   A. The PCP Policy applies to all employees and contingent workers of Duke Energy Corporation. Exception categories are noted in the PCP policy.

4. **Q.** *What is the difference between purchasing authority limits and standard* ***approval authority*** *or exception limits? They all are housed in the DOA database.*

   A. Supply Chain personnel and Designated Sourcing personnel are authorized to make purchase commitments consistent with their purchasing authority limits as defined in the Purchasing Authority Policy. DOA Policy applies to approval levels for internal transactions such as invoice approvals, requisition approvals, employee expense approvals, and project approvals. DOA standard and exception limits do not authorize employees to contractually commit Duke Energy.

5. **Q.** *Is it ever acceptable for a person, other than a Supply Chain or Designated Sourcing personnel, and those that fall into the category "exceptions to the Purchasing Controls Policy", to notify a supplier of a contract award before such contract has officially been issued?*

   A. No. Supply Chain will lead the negotiations with the supplier. It is important to let Supply Chain handle all communications with the supplier until a contract has been executed. A business unit employee prematurely notifying a supplier would hurt any further negotiations with that supplier.

6. **Q.** *PCP Policy states that Supply Chain personnel will manage the negotiations of terms and conditions. Who leads the negotiations for rates or pricing discussions?*

   A. Supply Chain.

7. **Q.** *Does the PCP Policy require Supply Chain to source purchases less than or equal to $250,000?*

   A. These purchases are not required to be sourced by Supply Chain, but the PCP policy does require that purchases above $100,000 have a purchase order with appropriate terms and conditions issued by Supply Chain. It should also be noted that only a limited number of persons outside of Supply Chain can execute a contract.

8. **Q.** *Does the PCP Policy require Supply Chain to source purchases between $100,000 and $250,000?*

   A. These purchases require Supply Chain to issue a purchase order **with appropriate terms and conditions.** Supply Chain personnel should be contacted at the beginning of the business' process to advise the best course of action to contract for these services and/or materials.

9. **Q.** *Should revisions to purchase orders and statements of work be approved according to the value of the revision, or the aggregate values of the total purchase order spend?*

   A. The answer is different for Supply Chain/Designated Sourcing personnel and business unit employees.

   i. Supply Chain/Designated Sourcing personnel are authorized to make purchase commitments consistent with their purchasing authority limits as defined in the Purchasing Authority Policy. Any contract extension and/or amendment **should be aggregated** with the original contract amount and with any other previous contract extensions to determine the total purchasing authority dollars.

   ii. Business unit personnel are authorized to approve internal transactions such as invoice, purchase requisition, employee expense, and project approvals as defined by Delegation of Authority Policy. Contract extensions and/or amendments **should NOT be aggregated** with the original contract or previous extensions/amendments. The business unit employee should have a DOA limit equal to or greater than the incremental amount to approve the transaction.

10. **Q.** *A sourcing specialist is executing a 3 year agreement with the option to extend the agreement for 2 additional years, in one year increments. Annual spend is estimated at $5M. What dollar amount should the sourcing specialist get approved by the business unit and his management?*

    A. The sourcing specialist should get $15M approved by the business unit and sourcing leadership. At this point, we do not know if the business will execute those optional years. If an optional year is executed, the sourcing specialist would have the business and sourcing leadership approve the incremental amount for that year, $5M, via a purchase requisition. This transaction would be considered a separate transaction from the original 3 year term with a separate purchase order. It would not require a SSJ because it was documented in the original agreement.

11. **Q.** *Why are Single Source Justifications (SSJ) required when a competitive bid process is not completed for those purchases greater than $250,000?*

    A. Duke Energy has an obligation to its shareholders, regulatory bodies, and customers to purchase goods and services at a competitive price. When we purchase goods and services without a competitive bid, senior management needs to approve the exception.

12. **Q.** *What are the approval levels for Supply Chain/Designated Sourcing personnel for Single Source Justifications (SSJ)? Who approves an SSJ in the business unit?*

    A. An SSJ requires joint approval by a Vice President (VP) or their designee and Supply Chain. The VP will establish the designee's single source approval limits with a signed document to be filed with, and retained by Supply Chain. Supply Chain may approve SSJs in accordance with their purchasing approval authority limits (DOA limits)**.**

13. **Q.** *When Supply Chain or Designated Sourcing personnel are running a competitive bid process, is there an expectation to include diverse and local suppliers?*

    A. Yes. Qualified diverse and local suppliers should be included in the pool of suppliers that are participating in a competitive bid process when they are available for the commodity or service being procured. Please reach out to our diversity group if you need assistance.

14. **Q.** *A Supply Chain personnel has a purchasing approval authority limit of $2.5M. Can they approve a single source justification for $5M?*

    A. No. Single source justification approvals by Supply Chain personnel are tied to your purchasing approval authority limit. Vice President approval limits are NOT tied to their standard or exception DOA limits.

15. **Q.** *The statement, "Purchases may NOT be split into multiple transactions to avoid use of competitive bidding" does not indicate when the need to make a purchase was identified. Is it possible to have split transactions when the need is identified at one time or at separate times?*

    A. Should a need be identified to make a purchase, all known and identified purchases at that time may not be split into multiple transactions to avoid use of competitive bidding. Should a similar need be identified at a later date, it will be considered a separate purchase.

16. **Q.** *What action should I take if a manager signs an agreement on behalf of Duke Energy and Supply Chain was not involved?*

    A. If no exceptions apply, the first occurrence of non-compliance with the Purchasing Controls Policy or unauthorized purchasing action, the Supply Chain personnel should notify his/her management and should review the policy with the offending employee. Additional occurrences of non-compliance should be reported to the employee's manager by the Supply Chain personnel and/or the Supply Chain manager, who will provide additional training and guidance to correct the behavior.

17. **Q.** *Allen Station* has Item #12345, Booster Fan Rotor Assembly, pulled from the Warehouse to install. The Average Unit Price of Booster Fan Rotor Assembly is $386,670. Lead time is 36 weeks. The Station wants an order placed quickly in case of another failure. The booster fan rotor assembly can be purchased from several vendors. Is an SSJ required if an order is placed today?

    A. Yes. A SSJ would be required, if you cannot refer to a competitive bid event for this assembly within the last 12 months.

18. **Q.** *Edwardsport IGCC Station* is a unique gasification plant and went operational in 2013. The Station has had many failures with the LIN Pumps which are sole sourced through Company ABC for $430,000 each. A LIN Pump needs to be sent out for repair. The recent repair cost was $180,000. Do I need a Sole Source Justification for the repair?

    A. No, because the repair is estimated to be under $250,000. But if the repair was estimated to be over $250,000 and Linde Group is the sole source for the repair, then a Sole Source Justification Form is required.

19. **Q.** *Edwardsport IGCC needs to set up a NEW inventory item with an Item ID in the warehouse. It is a complete rotating head assembly. This assembly is made by one supplier and has an estimated value of $1.8M. Is a Sole Source Justification Form required for this purchase?*

    A. Yes, it is a new inventory item with only one supplier and over the $250,000 threshold.

20. **Q.** *McGuire Nuclear Plant needs to reorder a large Nuclear Safety Related Valve with an existing Item ID in the warehouse. There is only one source of supply to purchase this particular valve with an estimated value of $400,000. Is a Sole Source Justification Form required for this Inventory replenishment purchase?*

    A. No, a Sole Source Justification Form is not required for existing Inventory replenishment purchases whether to satisfy a work order demand or inventory Min/Max.

21. **Q.** *Is a single source justification needed if an original purchase under $250,000 is later amended to go over $250,000? Please assume that this is NOT a purchase under a strategic agreement.*

    A. No. However, if a change order is greater than $250,000 OR, in the case of multiple change orders, the aggregate amount of the change orders exceed $250,000, an SSJ will be required.

22. **Q.** *Plant Marshall competitively bid the purchase of boiler maintenance services. Company A was awarded the work. Total spend estimated at time of award was $1M. Within 12 months of that bid, Plant Cliffside had an additional need arise for the same services. The cost of the additional services is $500,000. May we use Company A without a SSJ being required?*

    A. Yes, you may use the market information gained by the competitive bid to reuse Company A for that service. It does not matter that the services are being performed at a different plant. If the additional service was estimated to be over $1M, then a SSJ would be required. If you were referring to a competitive bid that was over 12 months old, then a SSJ would be required.

23. **Q.** *Plant Marshall competitively bid the purchase of boiler maintenance services. Company A was awarded the work. Total spend estimated at time of award was $1M. Within 12 months of that bid, Plant Marshall had an additional need arise for the same services. We estimate the value of the additional services to be $500,000. Plant Marshall used Company A for the additional service. Two months later, still within 12 month of the aforementioned competitive bid, another need arises at Plant Gibson. Total estimated spend is $1M. Is a SSJ required?*

    A. Yes, the aggregated value of the 2 additional purchases ($1.5M) is above the competitive bid award of the original purchase of $1M. It does not matter that the services were at a different plant.

24. **Q.** *Does Supply Chain need a SSJ when we are procuring materials/services from a supplier under a strategic agreement?*

    A. SSJ is not needed for purchases under a strategic agreement, assuming you are procuring the same materials/services that we created that agreement for. A common term for a strategic agreement within certain areas of Duke Energy is an alliance agreement. We did not use the term "alliance" in the Purchasing and Controls Policy because it means something different as legally defined.

25. **Q.** *Supply Chain has competitively bid the construction of a new data center building. General Contractor BG won the bid and was awarded the contract totaling $15M. As we completed the design phase of the project, Duke Energy's original specifications changed, resulting in a change order of $1M. Do we need to get a SSJ?*

    A. No. SSJ is not required for change orders related to previously competitive bid contracts. For this condition to apply, the aggregated value of all change orders must be less than the original purchase amount that resulted from the aforementioned competitive bid.

Source: Information Response 10

Internal Audits

This Corporate Audit Services group performs two types of audits involving affiliates, including when merger conditions occur:[91]

- Affiliate transactions (conducted annually, but sent biannually) in which they look throughout year, including service agreements
- Affiliate property rates

According to Duke Energy management, the audits make sure that appropriate actions are in place. The Corporate Audit Services group issues the reports to the Controller's department. The last time was April 2019, but they are currently developing remaining items to be sent soon. The Controller's department is likely the group to provide an affiliate report to NCUC, but not specifically the audit reports. The Corporate Audit Services group also helps internal controls testing, but not SOx testing, which E&Y does.[92]

Documentation describing internal controls of Duke Energy companies' relationship with holding company, and its affiliates, especially involving (a) purchases on behalf of Duke Energy companies and (b) protection against irregular, illegal, and/or improper transactions, which is mentioned in section above, dealt with three policies, which are owned by the group mentioned, but the Corporate Audit Services group might get samples if doing an audit, but doesn't do internal audits of these policies on a standard basis, but can be involved.[93]

Refer to *Chapter III – Cost Accumulation and Assignment and Cost Allocation Methodologies* for a detailed description of Internal Audits regarding the items below:

- Listing of SOx controls for affiliate or intercompany transactions[94]
- List of all internal audits completed during the past five years (2015 - 2019)[95]
- Copy of any internal audits performed concerning time reporting over the past five years (2015-2019)[96]

- Internal Audit reports related to affiliate transactions discussed in interview: 2015-2019 Affiliate Transactions Audit reports and the 2015-2019 Affiliate Property Rates reports[97]
- Agendas of Internal Audit Presentations to the Audit Committee for the past five years (2015-2019)[98]

Exhibit II-34 reflects the list of internal audits that were completed during the past five years that pertain to DEC, DEP or Piedmont and their affiliate transactions or affiliates to the extent the audit relates to an affiliate's effect on rates or services of DEC, DEP or Piedmont (G.S. 62-3(23)(c). Items highlighted in yellow are protected by the attorney/client privilege.[99]

Exhibit II-34
2016-2019 Internal Audits

2016
Charlotte Metro Strategy
Oconee Babcock & Wilcox Warranty Settlement Review
Enable Program Design Effectiveness Review (DER)
Informatica PowerCenter Application
Inventory Controls Policy Change Management Review
Coal Combustion Products (CCP) Compliance
Proxy Development - Executive Compensation Disclosures
Common Digital Platform (CDP) Design Effectiveness Review (DER)
Invoice Coding Jurisdictional Allocations
Harris Projects Review
Cranes and Rigging
Attorney Client Privileged
Energy Systems Network Management and Monitoring - Carolinas West
Atlantic Coast Pipeline (ACP) Administrative & General (A&G) Billings Review
Coal Combustion Products (CCP) Contract Procurement and Administration
Electric Systems Operations (ESO) Control Center Project Management
South Carolina Retail Surveillance Reporting
Duke Energy Progress (DEP) Delivery Operations Copper Controls
Customer Information System - High Level Requirements Design Effectiveness Review
Nuclear File Share and SharePoint Security
Polychlorinated Biphenyls (PCBs) Program
Firewall Management
Pay-As-You-Go Pilot Review
Total Privileged Account Management (TPAM)
Transmission Work Management Processes
Data Encryption
Enable Program Design Effectiveness Review (DER)
Officer and Director Expense Reporting
Joint Dispatch and Fuel Savings Review
Brunswick Projects Review
Network Access Control (NAC)
Delivery Operations Switching and Tagging
Coal Ash Reporting and Cost Classification Processes
PlantView Application
Transformer Rated Meters and Account Management Processes
Enterprise Distribution System Health (EDSH) Tool Review
Time Reporting Follow Up
Delivery Operations Contractor Safety Program
Advanced Metering Infrastructure (AMI) - Meter Data Management Systems
Fossil Hydro Operations Enable Post Implementation Review
Citrus County Combined Cycle Project Review
Enterprise Protective Services (EPS) GO and College Street Physical Access Review
Duke Energy Renewables (DER) Wildlife Monitoring and Reporting System
KUBRA Bill Processing
Common Digital Platform (CDP) Design Effectiveness Review
Renewable Generation/Qualified Facilities Processes
CCP Project Management Review
Virtualized Services
Attorney Client Privileged
Nuclear Equipment Reliability Review
Coal Ash Asset Retirement Obligation (ARO) Development Processes
Enable Program Design Effectiveness Review (DER)
FERC Electronic Quarterly Reporting (EQR) Processes
Pioneer Transmission Project Review
Confined Space Rules Program
Emergency Management Program Review
Regulated Renewables - Hydro Generation SCADA Systems
Commodities XL (CXL)
Endpoint Protection
Residential Non-Regulated Products and Services Cost Review
Oconee Nuclear Station 230KV Power Circuit Breaker Replacement Project Analysis
Work Zone Safety
Fossil Hydro Operations Equipment Reliability Program Management
Officer and Director Expense Reporting

2017		
Audit Name	**Audit Coverage**	**Scope**
IT Security Standard Exception Process Review	Enterprise	Review of processes, procedures, and policies for the management of IT Security Standard exceptions.
Geographic Information Systems (GIS) (Piedmont)	Piedmont	Reviewed processes and controls related to the management of Piedmont's pipeline assets within the core Geographic Information System (Smallworld), as well as the role played by GeoSpatial Analysis (GSA) applications.
Attorney Client Privileged		
Duke Energy Renewables Administrative Agreement Compliance	Renewables	Assessed compliance with the Administrative Agreement (the Agreement) between Duke Energy Renewables (DER) and the Department of the Interior, including all associated documents incorporated by reference.
Disbursements and Employee Expense Reporting (Continuous Auditing)	Enterprise	Reviewed disbursements processed through Accounts Payable, as well as all corporate card activity and reimbursable expenses processed through the Travel and Expense System for the period of October 2016 through September 2017. Piedmont Natural Gas (PNG) corporate card activity and reimbursable expenses processed through the legacy system, Concur, were out of scope for this review. Legacy PNG employee expenses will incorporated into the 2018 review with the transition to Duke systems and policies effective January 1, 2018.
Journal Entry Fraud Review	Enterprise	
Outdoor Lighting System	DEC, Midwest	Analyzed Outdoor Lighting Program work order and unbilled revenue data to bring visibility to key performance measures, with a specific focus on Duke Energy Carolinas and Midwest. Additionally, the audit team evaluated how existing monitoring challenges are addressed in the design of in-flight projects.
Proxy Development - Executive Compensation Disclosures	Enterprise	Tested the accuracy of executive compensation data in the 2017 Duke Energy proxy statement, including required Board of Director compensation information, and reviewed key compensation disclosures.
ComTrac Fuel Commodities Tracking System	Enterprise	Reviewed IT-related processes and controls for the ComTrac application and supporting infrastructure. The application is a vendor-supported, commodities tracking application used to procure, receive, and account for approximately $3 billion annually in fuels inventory (e.g., coal).
Unix, Linux and Centrify Systems	Enterprise	Reviewed security controls and management practices around the Unix and Linux operating systems, as well as the Centrify application, which helps manage access to these environments.
Leak Survey Performance and Management (Piedmont)	Piedmont	Reviewed the performance and evaluation of annual leak surveys for a sample of busine districts across the legacy Piedmont territory. This audit excluded a review of the leak surveys performed in the Ohio and Kentucky Gas Operations territory.
Affiliate Property Rates Review	DEC DEP	Reperformed and evaluated the process to identify properties owned by Duke Energy or occupied by employees in Duke Energy Business Services (DEBS) for the period of Janua 1, 2016, through December 31, 2016. Also, reviewed applicable rate schedules assigned for billing to verify compliance with North Carolina Utilities Commission (NCUC) requirements. This audit is required to be performed on an annual basis by the NCUC fo Duke Energy Carolinas and Duke Energy Progress.
Cost Allocation Methodologies	Enterprise	Reviewed cost allocation methods and processes utilized by Duke Energy Business Services (DEBS), focusing on costs allocated to Duke Energy Carolinas and Duke Energy Progress. The 2016 Cost Allocation Manual (CAM) and supporting documentation were also reviewed.
EHS Management System - Gas (Piedmont)	Piedmont	Performed a current state assessment of Piedmont Environmental, Health & Safety (EHS processes and practices, utilizing the revised EHSMS elements. The purpose of this assessment was to provide assistance to the Piedmont EHS integration team with development of project planning, identification of key practices, efficiency opportunities, and primary focus areas to integrate EHS practices and improve day-to-day EHS performance.
Workplan Development & Work Management Execution Processes - Carolinas	DEC DEP	Performed a current state assessment of 1DF – Carolinas Resource Management work plan processes as well as related monitoring tools and reporting metrics. Based on business growth and efficiency objectives, processes were assessed for scalability and sustainability as well as alignment with the Duke Energy Operational Excellence Framework Accountability Model.

Attorney Client Privileged		
Transmission Training Program	Enterprise	Reviewed the design and management of the Transmission Training Program ('the Program'), with a focus on Transmission skillset, compliance, and work methods tra for craft workers (excluding contractors) within the Construction, Maintenance & Vegetation (CMV) organization. The evaluation included the processes to plan and schedule training, methods of communication and coordination, tracking and mon tc training completion, retention of training records, as well as metrics and reporting.
Asset Recovery Processes	DEC, DEP	Reviewed internal processes in place to generate revenue from scrap metal. Perfor site visit at United Scrap Metal, LLC's Charlotte facility to assess the vendor's proces and performance.
Residential Non-Pay Customer Disconnect Process	Enterprise	Reviewed compliance with state regulatory requirements for residential non-pay ele customer disconnection processes related to medical essential customers (scope ex non-medical residential customers). Primary focus was placed on the processes in t Carolinas with limited evaluation of the Midwest and Florida.
Alternate Data Center	Enterprise	Reviewed security and management practices for both physical and environmental controls at the Alternate Data Center (ADC), as well as redundancy, load balancing, fail-over preparedness. The ADC is located at the McGuire office complex and hosts various business systems leveraged by the company.
Nuclear Cybersecurity	DEC DEP	Reviewed cybersecurity controls and inventory management practices for critical dig assets (CDAs) and fleet level reporting and oversight for engineering and non-engin changes. The focus of these efforts was to assess plant preparedness for compliar with the Nuclear Regulatory Commission's (NRC) Title 10, Code of Federal Regulatic Section 73.54 (i.e., 10 CFR 73.54), as required by December 31, 2017. This audit was performed in 3 phases: - Overall cybersecurity controls - Project management - Ongoing management of CDAs
Smart Grid Networked Devices Security	Enterprise	Reviewed the security measures in place to protect approximately 20,000 devices u manage Distribution smart grid assets. This audit was limited to devices located ou substation fencing and excluded Transmission smart grid devices and smart meters
Nuclear Cybersecurity Program Audit -	DEC, DEP	
Inventory Controls Policy Post-Implementation Review - FHO	Enterprise	Reviewed the effectiveness of FHO's adherence to the Inventory Controls Policy, wh was implemented in July 2016. Specific emphasis was placed on the review and ap of inventory additions.
State Affiliate Code of Conduct - North Carolina	DEC DEP	Assessed whether affiliate transactions and regulatory reporting practices are consi with the applicable provisions of the Code of Conduct. Affiliate transactions were re to ensure they were appropriately classified as an affiliate transaction, coded to the correct affiliate, and supported by either a Service Agreement (SA) or Service Requ (SR).
Cranes and Rigging Program - FHO	Enterprise	Evaluated effectiveness of programs to support adherence with Duke Energy Health Safety (H&S) and FHO crane and rigging procedures, applicable Occupational Safet Health Administration (OSHA) regulations, and industry consensus standards.
Ethics Program	Enterprise	Evaluated the organization and administration of the Duke Energy Ethics Program ar worker awareness of and trust in the processes to report and address unethical cor at all levels of the company. Included interviewing approximately 30 employees acro enterprise. The audit scope excluded testing for compliance with laws and regulati but did consider aspects of the company's Compliance Risk Assessment.
Easement and Substation Land Acquisition - Transmission	Enterprise	Reviewed processes and controls associated with the acquisition of land and easem used for the construction of substations and Transmission right-of-ways. The scope included all jurisdictions and covered transactions occurring between May 2016 and 2017. During the audit period, Duke acquired approximately $8.4 million in both land easement rights.
Cybersecurity Architecture Review Processes (including MSB)	Enterprise	Reviewed the Cybersecurity Architecture Review (CAR) processes and minimum sec baseline (MSB) practices to determine whether cybersecurity standards are effectiv communicated, implemented and monitored by teams responsible for developing ar maintaining IT devices and environments.
Nuclear Site Outage Onboarding Review	DEC DEP	Reviewed current state processes related to nuclear site outage onboarding, with a on identifying and validating potential efficiency opportunities. The Duke Nuclear Advantage (DNA) team, with assistance from Fleet In-Processing, is currently worki evaluate site outage onboarding processes to optimize efficiencies and realize poter cost savings. This review was conducted in partnership with the DNA team to assis ongoing efforts.
Customer Receipts Processes	Enterprise	Reviewed customer check remittance processing, electronic payment processing, unidentified payment resolution, bank transmission processes, customer payment processing and daily balancing activities.
Attorney Client Privileged		
Integrity Management Rider (Piedmont)	Piedmont	Reviewed capital project charges included in the PNG IMR filings in NC and TN to en they were properly classified and accurate and cost exclusions were calculated accu

Attorney Client Privileged		
Critical Infrastructure and Operations (CIOPS) Citrix Environment	Enterprise	Reviewed the architecture and security controls applied to the CIOPS Citrix environm used to provide secure access to virtualized company applications, including those u manage the Bulk Electric System.
Residential Meter Inventory Management	DEC, DEO, DEK, and DEI	Evaluated residential meter inventory processes from receipt to removal, with speci focus on inventory management and meter tracking for DEC, DEO, DEK, and DEI. Th scope did not include billing or revenue components of the processes or an evaluati the Advanced Metering Infrastructure Project.
Non-Nuclear Contingent Worker Off-boarding Process	Enterprise	Reviewed the effectiveness of the off-boarding process for non-nuclear contingent workers included in the Human Resource system.
Common Payment Interface	Enterprise	Reviewed the Common Payment Interface/CPI system and supporting infrastructure confirm that the system is securely architected to support high availability and redundancy.
Virtual Private Network Implementation	Enterprise	Reviewed controls and processes for the rollout and implementation of the VPN rem internet enforcement features.
Nuclear Risk-Based Investment Scoring Review	DEC, DEP	Reviewed adherence to the Asset Risk-Based Scoring Approach process and the exe of project risk quantification and prioritization across the fleet.
Oil Spill Management -Transmission and Distribution Operations	Enterprise	Assessed the processes and roles that mitigate oil spill risks and ensure adherence Duke Energy program and regulatory requirements within Transmission and Distribu (1DF).
Agile Software Delivery Methodology Implementation	Enterprise	Reviewed controls and processes established by the Agile Competency Center (ACC the governance and implementation of the Agile framework.
Endpoint Forensics and Phishing Protection	Enterprise	Reviewed internal processes and controls which support the performance of forensi Duke Energy endpoints (i.e., servers and workstations) as well as protection against security threats (e.g., phishing, spam, etc.). Security around the Carbon Black and IronPort tools was also evaluated.
Attorney Client Privileged		
FHO IT Infrastructure	DEC, DEP, DEF, DEI	Reviewed the processes and controls used to support and secure the control system infrastructure located at FHO plants. The audit was limited to critical infrastructure l at six sites across the Duke Energy service territories.
Transmission Contract Formation and Cost Monitoring	Enterprise	Performed a current state comparative analysis across all jurisdictions to evaluate t design and execution of key processes around contract formation and cost monitorir This included negotiation of unit quantity and price, unit verification in the field, and project cost tracking and forecasting.
Attorney Client Privileged		
Coal Combustion Products Project Change Request Process	DEC	Reviewed environmental permit monitoring and reporting requirements, particularly related to National Pollutant Discharge Elimination System (NPDES), stormwater, groundwater, and surface water.
Attorney Client Privileged		
Environmental Monitoring and Reporting	DEC, DEP, DEI, DEF	Reviewed environmental permit monitoring and reporting requirements, particularly related to National Pollutant Discharge Elimination System (NPDES), stormwater, groundwater, and surface water.
Transmission Substations - Network Security	Enterprise	Reviewed the physical, logical, and cybersecurity controls used to protect routable, networked equipment located at 10 Tier 3 Transmission substations.
Real Estate Services Facilities Contractor Processes	Enterprise	Performed a review of off-boarding processes for contractors with only physical acc The scope specifically focused on processes utilized by Real Estate and a significant vendor, JLL; however, observations can be applied to other vendors, as appropriate
AMI Project Management and Deploymen	DEC, DEI	Reviewed the performance of the AMI project, including adherence to contract term key performance indicators with the manufacture and installation contractors. Also reviewed the processes to monitor cost, schedule, and lessons learned, as well as controls to validate accurate meter readings post installation in the Duke Energy Car (DEC) and Duke Energy Indiana (DEI) jurisdictions.
Business Continuity Plan Review/ Crisis M	Piedmont	Reviewed Piedmont's BCPs to verify consolidation efforts with Duke Energy's BCPs w appropriate and changes were communicated to the proper stakeholders.
Consolidated Asset Suite Post-Implement	DEC, DEP	Reviewed IT-related security processes and controls in place for the Nuclear CAS application.
PeopleSoft Upgrade / Piedmont Integratio	Piedmont	Reviewed controls and processes associated with the ongoing PeopleSoft System up and Piedmont integration.
Enable Enterprise Asset Management (Tr	Enterprise	Reviewed risks identified throughout the Enable design effectiveness review to ensu closure.
NERC CIP Compliance Program	Enterprise	Reviewed the design effectiveness of CIP-002-5 Standard implementation for "High" "Medium" Bulk Electric System assets in the Transmission, FHO, and IT business un
Office 365 Design Effectiveness Review		Reviewed controls and processes over the project management, change manageme user acceptance testing, and implementation of the Portal Readiness project and Of 365 platform.
NERC CIP		Performed testing of the implementation of NERC CIP Transient Cyber Asset and Removable Media procedures, in partnership with the CIP Program office.
HR4U Program Design Effectiveness Revie	Enterprise	Reviewed the design effectiveness of management processes and plans around the implementation of the Workday HR system and HR integration with Piedmont. This r included controls and processes over change management, data conversion and tra security, interface management and testing.
External Facing Mobile Apps	Enterprise	Reviewed controls and processes over the governance, security, and project manag associated with the development, deployment, and support of external-facing mobil applications.

2018		
Audit Name	**Audit Coverage**	**Scope**
2017 External Penetration Test	Enterprise	Not on EAS Report
Service Suite 9	Enterprise	Reviewed security controls and processes over the SS9 platform and supporting infrastructure. mobile dispatching system used by Energy Delivery including Gas Operations in the Midwest for cycle work orders.
Officer and Director Expense Reporting	Enterprise	Reviewed the expenses and expense report processing practices for various officers, including Piedmont Natural Gas Officers, and Board members. The audit covered expenses from Novembe through September 2017.
Miscellaneous Accounts Receivable	Enterprise	Reviewed processes and controls for managing miscellaneous accounts receivable transactions, including roles and responsibilities, segregation of duties, and management oversight.
Disbursements and Employee Expense Reporting	Enterprise	Reviewed disbursements processed through Accounts Payable, as well as all corporate card act reimbursable expenses processed through the Travel and Expense System for the period of Oct 2016 through September 2017. Piedmont Natural Gas (PNG) corporate card activity and reimbur expenses processed through the legacy system, Concur, were out of scope for this review. Lega employee expenses will be incorporated into the 2018 review with the transition to Duke system policies effective January 1, 2018.
Firewall Management Phase II: Transmission Network Connections	Enterprise	Reviewed procedures, processes, policies, and tools supporting Transmission firewalls. This pri included 40 firewalls currently deployed to segregate Electronic Security Perimeter (ESP) netwo from the corporate network.
Property Records Management	Renewables	Performed a current state assessment of the property records management process for comme renewable properties as of December 2017. Areas of concentration included the processing and retention of signed property records, set-up of land owner payments, and remitting of regularly scheduled payments to the land owners.
Duke Energy Renewables Administrative Agreement Compliance	Renewables	Assessed compliance with the Administrative Agreement (the Agreement) between DER and the Department of the Interior, including all associated documents incorporated by reference.
Attorney Client Privileged		
Piedmont IT Infrastructure Security	Piedmont	Reviewed the Piedmont Natural Gas Corporate IT infrastructure and support model which has transitioned from legacy Piedmont employees and contractors to Duke Energy's internal support The audit included a review of security configuration settings, logical access, change manageme practices, and system performance monitoring.
Gas Price Indices Reporting	Piedmont	Reviewed Gas Operations processes to gather natural gas transaction data and report to index developers to ensure compliance with Federal Energy Regulatory Commission (FERC) policies. T review included Gas Operations fixed-price, physical natural gas purchases and sales occurring fiscal year 2017.
Attorney Client Privileged		
Manual Journal Entry Review	Enterprise	Not on EAS Report
Third Party Use of Customer Data	Enterprise	Assessed the processes to ensure quality, appropriateness, and privacy of customer lists sent by Marketing and Customer Engagement organization to third party vendors, primarily to distribute and electronic marketing materials and perform direct dial campaigns to a targeted customer au
NERC CIP IT 503 Supporting Procedures	Enterprise	Not on EAS Report
Cybersecurity Operations Center (CSOC)	Enterprise	Reviewed CSOC internal processes and controls which support protection against cybersecurity Logical access and configuration of the ArcSight and FireEye tools were also evaluated. ArcSigh security incident and event logging tool, and FireEye protects against malicious web-based activ
Proxy Development - Executive Compensation Disclosures	Enterprise	Tested the accuracy of executive compensation data in the 2018 Duke Energy proxy statement, including required Board of Director compensation information and key compensation disclosure
Internal Penetration Test Processes	Enterprise	Performed a review of the governance and framework structures surrounding cybersecurity pen tests performed by Duke Energy team. The scope covered processes and tools used to identify t plan and scope activities, execute tests, and report findings. Resource qualifications, including h and on-boarding processes, were also reviewed. The audit did not include an assessment of the effectiveness of internal penetration tests performed.
Business Hospitality Management Process	Enterprise	Performed a current state assessment of ticket management processes across the enterprise fo company-owned sports and event tickets, including event-related expenses. Areas of focus inclu administration and documentation of ticket use, roles and responsibilities, and general adherenc existing ticket guidelines.
Piedmont Work Management System (OASIS) IT General Controls Review	Piedmont	
NERC CIP ID Manager	Enterprise	Reviewed processes and security controls for the NERC CIP ID Manager application and supporti infrastructure. This application facilitates access requests to 'high' and 'medium' Bulk Electric Sy (BES) cyber assets, NERC CIP physical access, and BES Cyber System Information Repositories.
Virtual Private Network (VPN) Infrastructure	Enterprise	Reviewed controls and processes supporting the VPN infrastructure. The audit was focused on appliances and workstation-based VPN clients for employees and vendors which allow remote connections to the Duke Energy core network in a secure manner.
Affiliate Property Rates	DEC, DEP	Evaluated the process and controls to identify properties owned by Duke Energy or occupied by employees in Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP) for the period of Ja 1, 2017, through December 31, 2017. Also, reviewed applicable rate schedules assigned for billi verify compliance with North Carolina Utilities Commission (NCUC) requirements. This is an anr audit required by the NCUC.
Oconee Open Phase Project	DEC	Reviewed Open Phase Modification project management practices and controls at the Oconee N Station, focusing on the management of project risks, costs, schedule, and recovery plan. The projects are in response to an industry-wide Nuclear Energy Institute (NEI) initiative to implemen solutions to design vulnerabilities referred to as an "open phase condition" by December 31, 201
Net Metering Billing Processes	DEC	Performed an assessment of DEC billing processes for net metering customers, specifically evalu whether the processes have adequate controls in place to protect against inaccurate customer b Due to current system limitations, these processes are highly manual. The scope also included evaluation of whether current processes are sustainable to accommodate the projected growth solar.

Attorney Client Privileged		
Customer Requested Meter Tests Processes	DEC, DEP	Evaluated the process to manage customer requested meter tests for residential and commercial customers across all jurisdictions, with a primary focus placed on Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP). The scope excluded an evaluation of the meter test procedures performed in the field.
Transmission Billing	DEC, DEP, DEF	Evaluated the processes and controls surrounding monthly transmission billing in the DEC, DEP, and Duke Energy Florida (DEF) jurisdictions.
State Affiliate Code of Conduct - North Carolina	DEC, DEP	Reviewed affiliate transactions during the period of July 1, 2017, through December 31, 2017, to determine whether the utility and affiliate charges were consistent with the applicable service requests or service agreements. This audit of affiliate transactions is conducted in accordance with Regulatory Conditions required by the North Carolina Utilities Commission.
Corporate Mobile Devices	Enterprise	Reviewed governance structures, security controls, and asset management processes for company-issued Corporate Mobile Devices (CMDs). The audit scope excluded personal mobile devices used for Duke Energy business (i.e., 'Bring Your Own Device' program devices).
Piedmont Work Management System (OASIS) IT General Controls Review	Piedmont	Reviewed Piedmont's work management system (OASIS) and assessed the effectiveness of the IT general controls focusing on the Asset Resource Manager (ARM) application and supporting infrastructure. Reviewed access and change management practices, system availability and monitoring mechanisms, and key data interfaces.
Regulated Trading - DEC/DEP/DEF	DEC, DEP, DEF	Reviewed trade execution, risk and credit monitoring activities, and limited accounting activities for natural gas, power and renewable energy certificates (RECs).
Manual Journal Entry Fraud Review	Enterprise	Not on EAS Report
NERC CIP Electronic Visitor Logging (EVL)	Enterprise	Reviewed IT general controls for the NERC CIP EVL application and supporting infrastructure.
NERC CIP Asset Lifecycle Management (CALM) Tool	Enterprise	Reviewed IT general controls related to security and computer operations of the NERC CIP CALM tool which is used to manage Bulk Electric System cyber assets for CIP asset inventory compliance requirements.
Nuclear Fuels Procurement	DEC, DEP	Reviewed the nuclear fuel procurement process and corresponding accounting activities. The scope excluded an evaluation of the spent nuclear fuel reimbursement process.
Oil Spill Management - Transmission	Enterprise	Assessed the effectiveness of the implementation of the Oil Spill Management Program and selected Spill Prevention, Control, and Countermeasure (SPCC) processes which were deployed in 2017.
Advanced Distribution Management System (ADMS) Design Effectiveness Review	Enterprise	Reviewed controls and processes associated with the ongoing enterprise ADMS implementation. The ADMS Program aims to consolidate the Distribution Management Systems (DMS), Outage Management Systems (OMS), and SCADA systems onto a single General Electric (GE) Grid Solutions platform. This was an interim report to management.
Attorney Client Privileged		
Renewable Services IT Infrastructure	Renewables	Reviewed IT security practices related to Duke Energy Renewable Services (DERS) management of third party customer assets. DERS provides remote monitoring and on-site services of renewable assets for third parties.
Workstation Refresh	Enterprise	Reviewed the project management controls in place over the Workstation Refresh project and the security of the corresponding assets. The Workstation Refresh project will deploy over 50,000 new workstations across the enterprise and is another milestone in the shift to a cloud-based infrastructure and a more agile, collaborative workplace.
Transmission Right-of-Way Clearing	DEC, DEP, Midwest	Reviewed the accuracy and completeness of supporting documentation related to capital right-of-way clearing costs charging and review processes. Primary focus was on the Carolinas East and Midwest jurisdictions.
Cybersecurity and Compliance Function Evaluation	Enterprise	Participated in and observed security workshops and debrief sessions for the Cybersecurity and Compliance Function Evaluation performed by PricewaterhouseCoopers (PwC).
Sarbanes Oxley (SOX) Compliance Program Review	Enterprise	Reviewed processes, roles, and accountabilities related to the execution of the SOX compliance program. Audit scope included evaluation of the annual risk assessment, test method determination, management of control testing, and deficiency tracking processes.
Accounts Payable (AP) Automation Project Design Effectiveness Review	Enterprise	Reviewed the design effectiveness of management processes and plans around the implementation of SAP Ariba's cloud and network solutions. The review took place throughout the project lifecycle and focused on key project deliverables and activities, including project management, stakeholder communications, change management, testing, and overall business readiness.
Attorney Client Privileged		
Nuclear Switchyard Maintenance Transition	DEC, DEP	Assessed plans to transition switchyard maintenance responsibilities for the 22KV and unit breaking relays from Transmission to Nuclear as outlined in the Nuclear Switchyard Interface Agreement. This transition only applies to Duke Energy Progress stations and is part of ongoing fleet standardization activities.
Fossil Hydro Operations (FHO) Configuration Management	Enterprise	Assessed the CM process design to ensure information is accessible and updated in a timely manner when changes occur or new systems come online, appropriate monitoring and reporting are in place, and systems are properly managed.
Atmospheric Corrosion Inspection	Piedmont	Reviewed ACI and paint meter processes for Piedmont Natural Gas. Validated inspections and completion of work orders were compliant with Department of Transportation (DOT) regulations. The review included inspections and remedial actions that occurred during calendar year 2017.
Enable Recovery Project (ERP) Assessment	Enterprise	Reviewed the 'Discovery' phase of the ERP. The ERP was established with the objective to understand and fix technical issues, process issues, and user training gaps / needs, while ensuring a sustainable support model for the EAM tool, Maximo.
Office 365 Cloud Implementation	Enterprise	Reviewed security controls over Azure Active Directory and Office 365 cloud environments. The Office 365 platform introduces technological features that allow employees to effectively 'work as one' and is an integral part of the digital transformation strategy.
SAP Fieldglass Application	Enterprise	Reviewed contingent worker management processes and controls associated within the SAP Fieldglass application. The audit scope excluded contingent workers not sourced by the Guidant Group.
Piedmont Natural Gas Billing Processes	Piedmont	Evaluated Piedmont's residential and commercial customer billing process and controls to ensure bills are accurate and timely. Billing processes for large volume customers were excluded.
Automated IT Configuration Management Tools	Enterprise	Reviewed IT security processes and controls over the Puppet tool. Puppet allows the IT organization to automate repetitive tasks associated with managing server configurations.
Central Project Accounting	Enterprise	Performed a consultative review of project records to assist in the categorization of the unitization backlog and identification of underground Customer Delivery projects incorrectly classified with an overhead account.
CIP 14 Substation Physical Security	Enterprise	Reviewed physical security systems and controls at selected CIP 14 sites to ensure alignment with standards. CIP 14 sites are Transmission substations and associated control centers, if rendered inoperable or damaged as a result of a physical attack, could result in instability, uncontrolled separation, or cascading interruption within an interconnection.
Duke Energy Smart Home	DEC	Reviewed internal controls over the Duke Energy Smart Home environment. Smart Home is a Duke Energy Internet of Things collaboration with Amazon and Intel that allows customers to set up voice-controlled smart devices. (Note: The Smart Home program was cancelled as of September 20, 2018).
EHS Management System Implementation - Coal Combustion Products	DEC, DEP, Midwest	Evaluated elements of the revised EHSMS at five sites. The assessment measured the EHSMS maturity and implementation effectiveness at the site and employee level with a primary focus on environmental processes. The maturity rating scale is defined as: Non-systematic; Transitional; Effective; Proactive; Excellence; with "Effective" as the commitment to the Environmental Protection Agency. The Independent Monitor accompanied the audit team on several site visits.
Enterprise Asset Management (EAM) Portfolio - Logical Access	Enterprise	Reviewed logical access controls on six key applications in the EAM Portfolio. The EAM Portfolio is a suite of about 70 applications used by non-nuclear business units for work, resource, asset, and inventory management. SOX testing was preformed as part of this review.

Attorney Client Privileged		
Common Digital Platform (Design Effectiveness Review)	Enterprise	Reviewed risks identified throughout the CDP DER to ensure they were sufficiently addressed. Also reviewed the effectiveness of the website sustaining organizations' structure and intake processes.
Transmission IT 503 Procedure Re-write Project	Enterprise	Excluded from EAS.
EHS Management System Implementation - FHO	Enterprise	Evaluated elements of the revised EHSMS at ten sites. The assessment measured the EHSMS maturity and implementation effectiveness at the site and employee level. The maturity rating scale is defined as: Non-systematic; Transitional; Effective; Proactive; Excellence; with "Effective" as the commitment to the Environmental Protection Agency. The Independent Monitor accompanied the audit team on seven site visits.
Nuclear Infrastructure Security	DEC, DEP	Reviewed security processes and controls over the operational technology infrastructure in Nuclear network layers two and three (including the demilitarized zones) at the Catawba Nuclear Station and Harris Nuclear Plant. Physical access and portable media and mobile device (PMMD) controls were not in scope due to previous coverage of those elements.
Transmission Integrity Management Program (TIMP) Corrective Action Assessment	Piedmont, MW Gas	Gas Operations - TIMP is a critical component in the safe operation of the natural gas pipeline system. Third party TIMP assessments were conducted for Legacy Duke Midwest and Piedmont in 2015 and 2017, respectively and action plans were developed to further evaluate and address identified recommendations from these assessments. CAS assessed the adequacy and completeness of TIMP "Code Compliance" corrective action items completed October July 2017 through June 2018. This is a continuation of the prior year review which included corrective actions completed through June 2017.
Customer Connect Program Cost Recovery Processes	Enterprise	Reviewed processes to ensure appropriate charging and reporting to support regulatory recovery of Customer Connect Program costs.
Enable Recovery Project (ERP) Assessment	Enterprise	Continued review of Enable Recovery Project (ERP) established with the objective to understand and correct technical issues, process issues, and user training gaps/needs, while ensuring a sustainable support model for the Enterprise Asset Management (EAM) tool, Maximo. This review focused on the 'Execution' phase which included working closely with EAM, Customer Delivery, and Transmission to assess accountability for plan execution, communication, training, and business unit sustainability.
Outsourced Enterprise Help Desk	Enterprise	Reviewed the outsourced help desk operations to ensure IT controls within Tata Consulting Services' (TCS) environment are adequate to support secure operations and connections between Duke and the TCS environment. Additionally, reviewed the onboarding and off-boarding processes to ensure alignment with enterprise and regulatory requirements and Service Level Agreements. TCS does not have access to NERC CIP systems.
Pivotal Application Service	Enterprise	Reviewed security controls and processes related to the Pivotal Application Service platform, which is a cloud-based development application.
Traceability Project Design Effectiveness Review	Gas Operations	Reviewed project management controls, internal and external change control procedures, adequacy of change management practices, the inclusion of the technical and business requirements, and overall awareness of project interdependencies with other Gas Operations' projects.
Project Controls – Transmission	Enterprise	Reviewed the cost reporting and scheduling processes with a focus on the management, accountability, and quality of system data. Processes surrounding risk and contingency management were excluded from this audit as they were recently reviewed in prior audits.
Oil Spill Corrective Action Follow-up - FHO	Enterprise	Assessed the completion of selected corrective action items to mitigate risks identified as a result of a fuel oil release incident investigation. Business units included: Fossil-Hydro, Nuclear, Transmission, Customer Delivery, Fleet Services, and Supply Chain.
DEF Vegetation Management Compliance Reporting	DEF	Not on EAS Report

2019		
Attorney Client Privileged		
Openway IT Security Review	Enterprise	Reviewed general IT controls related to OpenWay application security and system operations. OpenWay is the head-end system which requests, collects, and distributes smart meter data to support business operations. There is currently an effort underway to scale the application to meet anticipated Smart Grid needs.
State Affiliate Code of Conduct - North Carolina	DEC, DEP	Reviewed affiliate transactions to determine whether the utility and affiliate charges were consistent with the applicable service requests or service agreements. This audit of affiliate transactions is conducted in accordance with Regulatory Conditions required by the North Carolina Utilities Commission.
Cybersecurity Vulnerability Assessment (2018 External Penetration Test)	Enterprise	Partnered with Duke Energy Cybersecurity to engage a third party to perform an external penetration test. The review included a 'zero knowledge' external penetration test, an internal vulnerability assessment of selected targets, Payment Card Industry (PCI) testing, and social engineering.
Attorney Client Privileged		
EHS Management System Implementation - Customer Delivery	Enterprise	Evaluated elements of the revised Environmental, Health and Safety Management System (EHSMS) at five sites. The assessment measured the EHSMS maturity and implementation effectiveness at the site and employee level. The maturity rating scale is defined as: Nonsystematic; Transitional; Effective; Proactive; Excellence; with "Effective" as the commitment to the Environmental Protection Agency. The Independent Monitor accompanied the audit team on one site visit.
Stock Transfer Agent Processes	Enterprise	Verified adherence to SEC standards for the stock transfer agency process.
FHO Program Management Guidelines	Enterprise	Evaluated the revised guidelines, program governance, oversight and reporting functions, and stakeholder change management plans. Two FHO programs were used to evaluate the revised guidelines: Small Tank Inspections and Natural Gas Coal Firing.
Carolinas Interconnection Queue Processes	DEC, DEP	Generators who intend to physically connect to Duke Energy's electric grid must undergo an application process which results in a queue assignment that determines the order in which requests are processed. This audit included a review of interconnection queues for Duke Energy Progress and Duke Energy Carolinas. The Competitive Procurement of Renewable Energy (CPRE) Program, a new Request for Proposal process, was excluded.
Gas Prices Indices Reporting	Piedmont	Reviewed Gas Operations processes to gather natural gas transaction data and report to index developers to ensure compliance with Federal Energy Regulatory Commission (FERC) policies. The review included Gas Operations fixed-price, physical natural gas purchases and sales occurring during fiscal year 2018.
Gas Operations Project Management	Piedmont	Evaluated the Natural Gas Major Project (NGMP) group's compliance with Gas Operations' and Project Management Center of Excellence (PMCoE) procedures to ensure effective management of project scope, cost, schedule and risk.
Attorney Client Privileged		
Affiliate Property Rates	DEC, DEP	Reperformed and evaluated the process to identify properties owned by Duke Energy or occupied by employees to ensure applicable rate schedules assigned for billing purposes were accurate and in compliance with North Carolina Utilities Commission (NCUC) requirements. This audit is required to be performed on an annual basis by the NCUC for Duke Energy Carolinas and Duke Energy Progress.
Workstation Privileged Access	Enterprise	Reviewed the effectiveness of processes utilized to grant and terminate temporary and permanent local workstation administrator access which was restricted in 2013 for security reasons. Local administrator accounts provide privileged access to local workstations and could be utilized as a vehicle to compromise the Duke Energy network or gain access to sensitive and confidential data.
Legacy Piedmont GIS Review	Piedmont	Reviewed the Geographical Information System (GIS) Smallworld application used by Legacy Piedmont operations to manage gas transmission and distribution asset data and design. The audit scope included a review of the Legacy Piedmont GIS Smallworld application to ensure appropriate IT controls are operating effectively including logical access and data integrity controls.
Manual Journal Entry Review	Enterprise	Tested 2018 manual journal entries selected from across the enterprise. The journal entry process is an important Sarbanes-Oxley entity level control. System-generated journal entries from controlled sources were excluded from the scope of this review.
Officer and Director Expense Reporting	Enterprise	Reviewed expenses and expense reporting processing practices for various officers and Board members. The time period covered was November 1, 2017, through September 30, 2018.
Proxy Development - Executive Compensation Disclosures	Enterprise	Tested the accuracy of executive compensation data in the 2019 Duke Energy proxy statement, including required Board of Director compensation information and key compensation disclosures.
EHS Management System Implementation - Renewables	Renewables	Evaluated elements of the revised Environmental, Health and Safety Management System (EHSMS) of the Commercial Renewables business, based upon visits to two sites. The assessment measured the EHSMS maturity and implementation effectiveness at the site and employee level. The maturity rating scale is defined as: Nonsystematic; Transitional; Effective; Proactive; and Excellence; with "Effective" as the commitment to the Environmental Protection Agency. The Independent Monitor did not accompany the audit team during site visits.
Customer Delivery Vegetation Management Pilot Review	DEP and DEF	Reviewed the performance monitoring and reporting mechanisms utilized during the pilot program with Asplundh Tree Expert Company. The pilot, which began in November 2018, included changes in field oversight and revised technical specifications in specific areas of the Duke Energy Progress and Duke Energy Florida jurisdictions.
Attorney Client Privileged		
IT Incident Response Processes	Enterprise	Reviewed the incident and problem management processes used by Information Technology (IT) to resolve and investigate incidents and significant disruption events (SDEs), including incident classification, investigation and resolution.
Disbursements and Employee Expense Reporting	Enterprise	Reviewed disbursements processed through Accounts Payable and expenses processed through the Travel and Expense System for the period of October 2017 through September 2018. Piedmont Natural Gas (PNG) corporate card activity and reimbursable expenses processed through the legacy system, Concur, were out of scope for October 2017 through December 2017.
State Affiliate Code of Conduct - North Carolina 2018	Enterprise	Reviewed affiliate transactions during the period July 1, 2018, through December 31, 2018, to determine whether the utility and affiliate charges are consistent with the applicable service requests or service agreements. This audit of affiliate transactions is conducted in accordance with Regulatory Conditions required by the North Carolina Utilities Commission.

Cash Management Processes	Enterprise	Verified Duke Energy's liquidity is actively monitored and reported, and controls are in place to prevent financial theft and fraud, including appropriate functional user and privileged access. In addition, ensured data is adequately protected internally and while in transit, and security-related events are logged and monitored.
Distributed Energy Technology Financial Processes	Enterprise	Reviewed Federal Energy Regulatory Commission (FERC) and state Public Utilities Commission regulated interconnection financial processes to validate that deposits from generators are appropriately tracked, project costs are tracked and accounted for correctly, and project reconciliations are accurate and occurring within the required timeframes.
PwC Cybersecurity Assessment Follow-up Memo #1	Enterprise	Evaluated action items completed to date which address observations identified during the 2018 PwC Cybersecurity and IT Compliance Assessment.
Third Party Connections	Enterprise	Reviewed processes, controls and technology used to manage remote connections for third parties, including vendors and service providers. Additionally, logical access management and network security controls were reviewed for selected environments.
NERC CIP IT 503 Supporting Procedures	Enterprise	Supported and assessed the Critical Infrastructure Protection (CIP) Program Management (CPM) Enterprise CIP Oversight (ECO) team in their efforts to satisfy the conditions of mitigation agreement with SERC. Efforts were focused on milestone 2 (review of IT 503 supporting procedures) and milestone 5 (assessing business unit compliance).
Enable Sustainment Project Assessment	Enterprise	Worked with Customer Delivery and Transmission to evaluate the Enable Recovery Project (ERP) plan execution, training, and other sustainability efforts during the final execution phases. The ERP was established in June 2018 with the objective to understand and fix technical issues, process issues, and user training gaps/needs, while ensuring a sustainable support model. The ERP execution plan implementation began in September 2018, and soon transitioned to the ESP. As the ESP concluded, responsibility and accountability for Enable-related efforts transferred back to the various business units.
IT Source Code Management	Enterprise	Reviewed the source code management tool, Bitbucket, which is a key development component of the Development Operations (DevOps) pipeline. System reliability and scalability, change management, and logical access were evaluated to ensure the appropriate IT controls are in place and operating effectively.
IT Contract Administration	Enterprise	Reviewed sourcing processes to procure IT services and the oversight and governance of supplier costs and performance.
Oconee Turbine Replacement Project	DEC	Reviewed vendor oversight and project management with specific focus on pre-outage activities. Pre-outage activities include the creation of a project specific vendor outage plan and the establishment of a variety of oversight mechanisms.
Cloud Infrastructure Review	Enterprise	Reviewed IT security processes and controls over the cloud infrastructure. Microsoft Azure (Azure) and Amazon Web Services (AWS) cloud environments were included in the review.
Interactive Voice Response	Enterprise	Performed a pre-implementation review of the IVR system, which will replace the current touchtone-driven IVR system with a dialogue-based solution. Areas of focus included scalability, performance, and security of the new IVR system.
Carolinas Outdoor Lighting Program	DEC and DEP	Evaluated Customer Delivery's construction and service processes within Duke Energy Carolinas (DEC) and Duke Energy Progress (DEP) with a focus on customer communication and work order handoffs. The scope excluded an in-depth review of functions performed outside Customer Delivery's centralized Outdoor Lighting team, including work planning and scheduling, work execution and closeout, and contractor invoice processing.
Azure Information Protection	Enterprise	Evaluated the effectiveness of the AIP tool and associated processes, including security controls over supporting IT infrastructure components. AIP provides automated labeling and encryption and enhances existing controls around Duke Energy's Bulk Electric System Cyber System Information (BES CSI).
Attorney Client Privileged		
Arc Flash Risk Program Assessment - Fossil Hydro Operations	Enterprise	Evaluated the Arc Flash Program (the Program) which establishes criteria and guidance for identifying, analyzing, and protecting against arc flash risks to comply with the OSHA 1910.269 standard for electric power generation across all regions.
Automated Testing Processes and Infrastructure	Enterprise	Reviewed DevOps automated testing processes, infrastructure, and tools to determine if the operating environments have been designed to ensure security, availability, and scalability. The review included operational standards/requirements, security configurations, change management practices, and business continuity plans for DevOps pipeline tools.
Piedmont Natural Gas Scheduled Leak Repair Processes	Piedmont	Reviewed the scheduling, execution, and monitoring of PNG scheduled leak repair processes to determine if repairs were performed in accordance with regulatory and internal requirements.
Attorney Client Privileged		
Project Management & Construction Contract Administration	DEC and DEP	Reviewed contract administration processes, including invoicing and change order facilitation, for selected projects in the PMC portfolio.
Customer Contact Center Physical Security Review	DEC and Piedmont	See description in General Office Physical Security below
General Office Physical Security	DEC, DEP, DEF	Partnered with Enterprise Protective Services to conduct an unannounced security walkdown of the David Taylor and the Piedmont Operations customer contact centers. Additionally, performed an analysis of the physical access badge data for Charlotte, Raleigh and St. Petersburg General Offices. Finally, performed an observation on high risk floors within the Duke Energy Center to evaluate compliance with the 'Badgeholder Terms of Use' policy.
EHS Management System Implementation - Nuclear	DEC and DEP	Evaluated the EHS Management System (EHSMS) maturity and implementation effectiveness with emphasis of non-radiological environmental processes and procedures. Radiological and Health and Safety subjects were excluded. Additionally, selected environmental procedures were reviewed to verify the presence of EHSMS requirements and validate that the EHS handbook was incorporated into the Nuclear Standards Manual. The assessment measured the EHSMS maturity and implementation effectiveness at the Corporate, site, and employee levels. The maturity rating scale is defined as: Nonsystematic; Transitional; Effective; Proactive; and Excellence; with "Effective" as the commitment to the Environmental Protection Agency.
Commercial Renewables KPI Reporting	Renewables	Assessed the reliability of data reported in Commercial Renewables' operational performance reports.
Virtual Server Management	Enterprise	Reviewed the IT security processes and controls over the Corporate virtualized server environment. The environment supports approximately 95% of all Corporate servers.
Nuclear Online Work Management	DEC and DEP	Reviewed the efficiency and effectiveness of day-to-day process execution for online work, including prioritization, planning, and scheduling across the fleet. The scope also assessed reporting and monitoring processes to ensure data was reliable for visibility into work status and informed decision making.
Mobile Device Management	Enterprise	Reviewed Microsoft Intune's security controls and supporting processes. Intune is a cloud-based, enterprise mobility management solution that provides employees with access to corporate data through the use of their personal or corporately owned mobile device.
Accelerated Work Order Management	Enterprise	Assessed accelerated work order initiation through scheduling processes, including management reporting, for all regions with a specific focus on new residential underground service installations.
IT Patching Processes	Enterprise	Reviewed security processes and controls for the BigFix patching tool, which currently manages patching updates for servers in the Corporate IT environment.
Gas Operations Third Party Warehouse Contract Management	Piedmont	Evaluated the contract management processes for the contract Piedmont Natural Gas entered with MRC Global (MRC), the primary provider for materials used for all gas-related projects. A focus was placed on assessing the operational performance of MRC and the accuracy of the ROS calculation.
2019 External Penetration Test	Enterprise	Partnered with Duke Energy Cybersecurity to engage a third party to perform an external penetration test. The review included a 'zero knowledge' external penetration test, an internal vulnerability assessment of selected targets, a physical security assessment, and social engineering.

Attorney Client Privileged		
Attorney Client Privileged		
Attorney Client Privileged		
PwC Cybersecurity Assessment Follow-up	Enterprise	Reviewed evidence of completed management action items and observations as of September 13, 2019. These action items and observations are part of a larger cybersecurity program aimed at addressing the 10 critical and high-rated key gaps identified in the 2018 PricewaterhouseCoopers Cybersecurity & Compliance Evaluation.
Payroll Controls and Vendor Management	Enterprise	Reviewed payroll processes to evaluate the effectiveness of controls, monitoring of vendor performance, compliance with the Alight contract, and effectiveness of data security controls. Alight provides Duke Energy with a variety of outsourced Human Resource (HR) services.
Outside Counsel Data Security	Enterprise	Reviewed cybersecurity controls and data management practices for a sample of outside counsel partners and legal service providers. Additionally, reviewed internal practices used by the Legal department to evaluate risk, assess security posture, and monitor outside counsel partners and legal service providers.
EHS Compliance Task Management System - FHO	Enterprise	Assessed the effectiveness of the original FHO compliance task register effort and the ongoing maintenance and sustainment of the four EHS compliance programs (Environmental, Fire Protection, Process Safety Management, and Health & Safety). This included the processes to identify and communicate regulatory changes, as well as any resulting impacts to compliance tasks to ensure all changes were accurately modified within the applicable systems.
Asbestos Program Management	MW and PNG	Evaluated Asbestos Management Program (the Program) implementation and effectiveness, including processes and controls when active asbestos abatement was being performed. Asbestos removal activities were observed at two of the six locations selected for site visits.
Commercial Solutions Sales Incentive Plan	Renewables	Evaluated Sales Incentive Plan processes and controls, including inputs into the incentive payment calculation, to assess whether they were designed to prevent and detect fraudulent behavior.
Solar Construction EHS Management	DEF	Evaluated effectiveness and conformance of Project Management and Construction's (PMC) EHS processes for the Trenton and Columbia solar construction sites in Florida. At these sites, contractors primarily perform construction, as well as environment and safety inspections.
Attorney Client Privileged		
Duke Energy Builder Applications	Enterprise	Reviewed security, change management, and performance controls over the Duke Energy Builder web and mobile applications. The Builder applications enable small and medium business customers to request and track work orders for residential electric service.
Charlotte Metro Program	Enterprise	Performed a high-level assessment of project management processes and controls, including practices used to satisfy EHS requirements.
Transmission Energy Management System (SCADA) Control System	DEC and DEP	Reviewed the recently consolidated Carolinas Transmission EMS SCADA control system, General Electric (GE) Grid. The audit included a review of the security and operational processes and controls over the EMS system.
AMI Infrastructure	Enterprise	Reviewed controls and processes around Connected Grid Router and Aggregate Services Router configurations and the secure transmission of meter usage data from the external, smart meter mesh network to Duke Energy controlled network end points.
EHS Management System - Transmission	Enterprise	Evaluated elements of the revised EHSMS through an assessment of maturity and implementation effectiveness at the site and employee level. The maturity rating scale is defined as: Nonsystematic; Transitional; Effective; Proactive; and Excellence; with "Effective" as the commitment to the Environmental Protection Agency.
Aviation Services	Enterprise	Reviewed IT security controls and related processes for both manned aviation (corporate and utility aircraft) and unmanned aerial systems (drones). Additionally, operational safety processes and controls were reviewed for drones.
Advanced Distribution Management System (ADMS) Design Effectiveness Review	DEP	Reviewed processes and controls supporting the design, testing, and deployment of Duke Energy Progress (DEP) Supervisory Control and Data Acquisition (SCADA) and Distribution Management System (DMS) workstreams.
Customer Delivery Central Invoicing	DEC & DEP	Evaluated the effectiveness of the invoicing review processes and reporting, with specific focus on the highest volume vendor, PIKE, in Duke Energy Carolinas (DEC) and DEP. The scope excluded storm-related invoices and vendor performance.
Physical Security Alarm Review	Enterprise	Reviewed governance structures, controls and processes over the security alarm reduction process. The alarm reduction initiative was launched in March 2019 with the aim of reducing false-positive alarms received by the Enterprise Security Control Center.
Attorney Client Privileged		
Attorney Client Privileged		
Silent Defense	Enterprise	Reviewed general and security-related IT processes and controls over the SilentDefense platform. This tool is used to provide operational technology (OT) network monitoring and intelligence by passively analyzing network communications. It is one of the key technology components being implemented to support the IT/OT Program.

2020

Audit Name	Audit Coverage
Grid Solutions Project Controls and Reporting Review	Enterprise
FHO Project Management Processes	Enterprise
Oil Spill Management - Customer Delivery	Enterprise
Regulated Solar Control Systems Security	DEC and DEP
Customer Connect Design Effectiveness Review	Enterprise
Finance Robotics Program	Enterprise
Contractor Oversight Policy	Enterprise
Transmission Electronic Quarterly Reporting (EQR) Follow-up Review	Enterprise
Attorney Client Privileged	
Gas Price Indices Reporting and Hedging	DEO and PNG
Officer and Director Expense Reporting	Enterprise
Disbursements and Employee Expense Reporting	Enterprise
PwC Cybersecurity Assessment Follow-up	Enterprise
Manual Journal Entry Fraud Review	Enterprise
Robotic Process Automation (RPA)	Enterprise
Duke Energy Foundation	Enterprise
Attorney Client Privileged	
Configuration Management Database	Enterprise

Source: Information Response 53

Also provided was a 2015 Core Utility Function Compliance Review Final Report and a 2016 Time Reporting Follow Up Final Memo.[100]

Internal Audit reports related to affiliate transactions discussed in an interview regarding 2015-2019 Affiliate Transactions Audit reports and the 2015-2019 Affiliate Property Rates reports included 13 reports.[101]

Correspondence between Directors and Officers

Formal written communications between certain executive officers are centrally retained by the Development Assignment/Corporate Legal Support/Corporate Secretary employee (who reports to the VP Legal employee), and confidential samples have been provided to Schumaker & Company consultants during this audit project:[102]

- The Chair/President/Chief Executive Officer (CEO) generally sends a weekly email (or more frequently, if necessary) to the Board of Directors (Board or BOD) with an update on current events. This information is initially sent to all State Presidents and also Chief Legal Officer (CLO) to review first draft before sent to BOD. Attachments provided were samples of confidential written communications from 2016-2020.
- The Executive Vice President (EVP)/Chief Financial Officer (CFO) generally sends a financial results update to the Board each month. On a quarterly basis, the results are compared to the prior year results. Attachments provided were confidential samples of these updates from 2016-2020.

There are currently 13 Duke Energy Corporation BOD members, including the Duke Energy President and Chief Executive Officer, who is also BOD Chair. The other 12 BOD members are not Duke Energy employees.[103] *Exhibit II-35* lists the BOD members, plus those that are members of Board committees.[104]

Exhibit II-35
Board of Directors and Committees Membership

DUKE ENERGY CORPORATION
(Effective May 8, 2020)

BOARD OF DIRECTORS		COMMITTEES OF THE BOARD
Michael G. Browning Chairman Browning Consolidated, LLC	**E. Marie McKee** Retired Senior Vice President Corning Incorporated	***Day Prior to Board Meeting***
Annette K. Clayton President and Chief Executive Officer of North America Operations Schneider Electric	**Marya M. Rose** Chief Administrative Officer Cummins Inc.	**Audit Committee** Theodore F. Craver, Jr. – Chair Annette K. Clayton Nicholas C. Fanandakis William E. Webster Jr. Secretary: David S. Maltz Executive Sponsor: Dwight L. Jacobs
Theodore F. Craver, Jr. Retired Chairman, President and Chief Executive Officer Edison International	**Thomas E. Skains** Retired Chairman, President and Chief Executive Officer, Piedmont Natural Gas Company, Inc.	**Compensation Committee** E. Marie McKee – Chair Michael G. Browning Robert M. Davis Marya M. Rose Secretary: Robert J. Ringel Executive Sponsor: Melissa H. Anderson
Robert M. Davis Chief Financial Officer and Executive Vice President, Global Services Merck & Co., Inc.	**William E. Webster, Jr.** Retired Executive Vice President, Institute of Nuclear Power Operations	**Corporate Governance Committee** Michael G. Browning – Chair Daniel R. DiMicco William E. Kennard E. Marie McKee Secretary: David S. Maltz Executive Sponsor: Kodwo Ghartey-Tagoe
Daniel R. DiMicco Chairman Emeritus, Retired President and Chief Executive Officer Nucor Corporation		**Finance and Risk Management Committee** William E. Kennard – Chair Robert M. Davis Nicholas C. Fanandakis John T. Herron Thomas E. Skains Secretary: David S. Maltz Executive Sponsor: Steven K. Young
Nicholas C. Fanandakis Retired Chief Financial Officer DuPont		**Operations and Nuclear Oversight Committee** John T. Herron – Chair Annette K. Clayton Daniel R. DiMicco William E. Webster Jr. Secretary: Lara S. Nichols Executive Sponsor: Dhiaa M. Jamil
Lynn J. Good Chair, President and Chief Executive Officer Duke Energy Corporation		**Regulatory Policy Committee** Thomas E. Skains – Chair Michael G. Browning Theodore F. Craver, Jr. Marya M. Rose Secretary: R. Alex Glenn Executive Sponsors: Doug F Esamann and Julie S. Janson
John T. Herron Retired President, Chief Executive Officer and Chief Nuclear Officer Entergy Nuclear		
William E. Kennard Non-Executive Chairman, Velocitas Partners, LLC		

Source: Information Response 68

The Board of Directors currently has five regularly scheduled meetings where management provides operational, financial, and strategic updates and obtains approvals, as necessary. At the end of each meeting, there is an executive session with the Directors and CEO, only. In addition, the Board operates through a number of Committees responsible for the oversight of certain areas of its business (i.e., Audit, Compensation, Corporate Governance, Finance and Risk Management, Operations and Nuclear Oversight, and Regulatory Policy). These six Committees meet five times annually when presentations are made, plus also often hold executive sessions at the end of each meeting. There are written materials for the Committee and Board meetings; however, there are no samples to provide for the conversations during the executive sessions.[105]

The EVP/CFO generally provides standard information and data, including information across all affiliates, and the Chief Accounting Officer generally provides information such as:[106]

- Jurisdictional updates
- Financial and earnings data
- Leadership changes
- Community changes going on
- Regulatory updates

Throughout the year, the executive sponsor of a Committee may verbally correspond with members of the Committee on matters outside of the scheduled Committee meetings. In addition, the CEO may conduct 1-on-1 calls or meetings with the Lead Director or other Directors, as needed. There is no central record of these ad hoc communications or other informal written communications and verbal correspondence between Directors and officers.[107]

There's rarely dialogues back and forth with BOD/committees and Duke Energy officers, as generally only thanks from BOD/committee to Duke Energy officers.[108]

Examples of documents provided to Schumaker & Company consultants by the Chair/President/CEO include:[109]

- July 29, 2016 e-mail message from Chair/President/CEO to Directors, including: business portfolio transition, strategy execution, industry developments, and other updates
- September 30, 2016 e-mail message from Chair/President/CEO to Directors, including: recent Charlotte events. portfolio transition including NCUC's approval of Piedmont Natural Gas acquisition, financial update and stock performance, coal ash update, and political environment
- February 16, 2017 e-mail message from Chair/President/CEO to Directors, including key hire announcements
- September 7, 2017 e-mail message from Chair/President/CEO to Directors to share an update of preparations for Hurricane Irma, a Category 5 storm heading towards Duke Energy locations
- March 7, 2018 e-mail message from Chair/President/CEO to Directors to share an update on a recent equity transaction
- May 14, 2018 e-mail message from Chair/President/CEO to Directors to share an update on upcoming leadership changes and provide information on developments related to first quarter earnings, 1DF - an Intermediate Distribution(al) Facility (networking), and coal ash litigation
- March 8, 2019 e-mail message from Chair/President/CEO to Directors to share an update on recent meetings with credit rating agencies, North Carolina coal ash issues, the possible ballot initiative in Florida, and the Constitution pipeline.
- July 19, 2019 e-mail message from Chair/President/CEO to Directors to provide an update on a recent coal ash legal development receiving media attention.
- March 16, 2020 e-mail message from Chair/President/CEO to Directors to update you on the latest developments on our response to the coronavirus (COVID-19) and other company updates.

Examples of documents provided to Schumaker & Company consultants by the EVP/CFO include:[110]

- April 21, 2016 message showing March 2016 financial results, as summarized below, plus a BOD Financial Report March 2016 PDF attachment.
  - Adjusted earnings for the quarter was $1.13 per share, which is $0.01 above plan and $0.11 below prior year.
  - Regulated Utilities, Commercial Power and Other earnings are down compared to prior year and we experienced higher earnings at International. Key drivers by segment are below:
    - Regulated Utilities earnings are down $0.11 due to extremely cold weather in 1Q 2015 compared to mild weather in 1Q 2016 and additional depreciation expense related to growing investments. These unfavorable items were partially offset by increased retail pricing and wholesale margins driven by the NCEMPA acquisition in 2015. Retail sales have trended slightly down year over year, in spite of the benefit of an extra day from leap year. We continue to closely monitor sales growth trends.
    - Commercial Power earnings were $0.11 lower due to the absence of earnings from the Midwest Commercial generation business that was sold in 2015.
    - Other results were down $0.06 as a result of current year contributions to the Duke Energy Foundation and higher interest expense.
    - International earnings were $0.13 higher than 2015 due largely to a revaluation of deferred income taxes resulting from a change in tax law and related planning strategy and favorable results in Brazil due to improved hydrology, partially offset by weaker foreign currency exchange rates.
    - Additionally, there is $0.04 of EPS accretion due to the prior-year accelerated stock repurchase.
  - The outlook for 2016 remains on target for the $4.50 to $4.70 range (Plan of $4.60) of adjusted earnings.
  - Reported earnings for the quarter is $1.01, which is $0.12 lower than adjusted earnings primarily driven by costs to achieve mergers, which include mark-to-market impacts of interest rate swaps related to planned debt issuances for the Piedmont acquisition, and severance costs related to the cost savings initiative.
  - As a reminder, we will release the first quarter 2016 earnings on Tuesday, May 3, 2016 with our earnings call that morning at 10:00 a.m. ET. The call can be accessed by dialing 888- 203-1112 in the United States or 719-457-0820 outside the United States. The confirmation code is 7567946.
- August 21, 2017 message showing July 2017 financial results, as summarized below, plus a BOD Financial Report July 2017 PDF attachment.
  - For the month of July, Duke Energy's adjusted EPS was $0.61 per share, which was $0.06 favorable to our plan. The primary drivers for the month were favorable weather, favorable O&M supported by our continued cost management efforts, and increased customer

pricing due to regulatory price increases and riders. Absent the impact of weather, our electric customer usage trends remained consistent with the plan with growth of 0.4% above last year. The fundamentals of the business remain strong as our growth initiatives and disciplined cost management have helped to offset the impact of mild winter weather during 2017. O n a year-to-date basis our adjusted EPS is $0.04 below plan.

- Since our 2nd quarter earnings call earlier this month, investor sentiment has remained strong and we have continued our recent trend of outperformance of the utility industry and our regulated peer group. Two members of our peer group, Southern and SCANA, have recently seen significant underperformance due to the uncertainty around their new nuclear construction projects. Investors remain focused on our rate cases in the Carolinas as well as our plans to further investment opportunities around regulated renewables in North Carolina (under the HB 589 legislation) and our grid modernization programs. September will be a busy month of investor interaction before we get into the 4th quarter.

- October 25, 2018 message showing September 2018 financial results, as summarized below, plus a BOD Financial Report September 2018 PDF attachment.
  - For September, our adjusted EPS was $0.41/share, which is ahead of plan by $0.03 for the month, pushing us to $0.20/share ahead of plan on a year-to-date basis. We expect to be above plan at year-end.
  - The third quarter, which is traditionally our strongest earnings quarter due to summer weather impacts on the electric utility results, was strong with earnings per share of $1.65. Favorable weather, volumes and rate case impacts, partially offset by the impact of Hurricane Florence and higher depreciation driven by rate base growth, drove the results to be favorable compared to last year's third quarter.
  - Amidst a volatile market and despite a continued uptick in interest rates, utility stocks were the highest performing sector in the S&P 500 over the last month. The counter- intuitive trading was likely due to a "flight to safety" as investors grew wary of rising interest rates stifling economic growth. Duke shares outperformed both the UTY index and the large-cap regulated peers over the period.
  - Our third quarter earnings call is scheduled for November 2. On the call, the CEO and I will review third quarter results and provide updates on our strategic priorities. We also plan to give an overview of our superior response to Hurricanes Florence and Michael, including a first look at cost estimates.

- May 23, 2019 message showing April 2019 financial results, as summarized below, plus a BOD Financial Report April 2019 PDF attachment.
  - For April, adjusted EPS is $0.21, short of plan by ($0.04). YTD results are therefore behind plan by ($0.08). In Commercial, a large solar project moved from closing in April as budgeted to June thus causing a ($0.08) drag for the month that will reverse and bring us back towards our financial targets. For Electric, April volumes are stronger than planned by 1.8% contributing to $0.03 of favorability. Gas is flat for the month and Other is favorable

$0.01 due to better than planned interest rates on outstanding debt.

- So far in May, utility stocks have outperformed the broader market as the ongoing trade dispute with China continues to drag on. Shares of Duke and Dominion have both underperformed the UTY and large cap regulated peers due to ACP uncertainty. In addition, recent events in the Carolinas, including the DEQ coal ash order and South Carolina rate directives have also contributed to our underperformance. Lynn and I are currently meeting with investors in effort to discuss in more detail our plans for dealing with these issues.

♦ February 21, 2020 message showing January 2020 financial results, as summarized below, plus a BOD Financial Report January 2020 PDF attachment.

- For January, adjusted EPS is $0.44, behind plan by $0.11. The unfavorable results are mainly driven by mild winter weather. In response to the mild weather's impact on earnings we have initiated our "agility" process to identify and implement appropriate offsets.
- So far in February, U.S. stocks continued higher despite concerns of the potential impact of coronavirus on the Chinese and global economies, which investors have struggled to quantify. Markets have remained buoyed by hopes of limited spillover internationally and that central banks stand ready to intervene if needed. Utility stocks are performing slightly below the broader market. DUK stock has outperformed the UTY and the broader market, primarily on the compelling announcement of a $6B increase in its 5-year capital plan and renewed confidence on executing on its 4-6% growth rate.

Financial Statements

DEC, DEP, and Piedmont Balance Sheets for 2017 and 2018 and Income Statements for 2016, 2017, and 2018 are provided in respectively in *Exhibit II-36*, *Exhibit II-37*, and *Exhibit II-38*, which is based on Securities & Exchange Commission (SEC) 2018 filings.[111]

Exhibit II-36
Duke Energy Carolinas, LLC
Balance Sheets and Income Statements ($ in Millions) 2016, 2017, and 2018

Consolidated Balance Sheets

(in millions)	December 31, 2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 33	$ 16
Receivables (net of allowance for doubtful accounts of $2 at 2018 and 2017)	219	200
Receivables of VIEs (net of allowance for doubtful accounts of $7 at 2018 and 2017)	690	640
Receivables from affiliated companies	182	95
Inventory	948	971
Regulatory assets	520	299
Other	72	19
Total current assets	2,673	2,240
Property, Plant and Equipment		
Cost	44,741	42,939
Accumulated depreciation and amortization	(15,496)	(15,063)
Net property, plant and equipment	29,245	27,876
Other Noncurrent Assets		
Regulatory assets	3,457	2,853
Nuclear decommissioning trust funds	3,558	3,772
Other	1,027	979
Total other noncurrent assets	8,042	7,604
Total Assets	$ 39,960	$ 37,720
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 988	$ 842
Accounts payable to affiliated companies	230	209
Notes payable to affiliated companies	430	104
Taxes accrued	171	234
Interest accrued	102	108
Current maturities of long-term debt	6	1,205
Asset retirement obligations	290	337
Regulatory liabilities	190	126
Other	571	486
Total current liabilities	2,996	3,651
Long-Term Debt	10,633	8,598
Long-Term Debt Payable to Affiliated Companies	300	300
Other Noncurrent Liabilities		
Deferred income taxes	3,689	3,413
Asset retirement obligations	3,650	3,273
Regulatory liabilities	5,999	6,231
Accrued pension and other post-retirement benefit costs	99	95
Investment tax credits	231	232
Other	671	566
Total other noncurrent liabilities	14,348	13,810
Commitments and Contingencies		
Equity		
Member's equity	11,689	11,368
Accumulated other comprehensive loss	(6)	(7)
Total equity	11,683	11,361
Total Liabilities and Equity	$ 39,960	$ 37,720

Consolidated Statements of Operations and Comprehensive Income

(in millions)	Years Ended December 31, 2018	2017	2016
Operating Revenues	**$7,300**	$7,302	$7,322
Operating Expenses			
Fuel used in electric generation and purchased power	**1,821**	1,822	1,797
Operation, maintenance and other	**2,130**	2,021	2,158
Depreciation and amortization	**1,201**	1,090	1,075
Property and other taxes	**295**	281	276
Impairment charges	**192**	—	1
Total operating expenses	**5,639**	5,214	5,307
(Losses) Gains on Sales of Other Assets and Other, net	**(1)**	1	(5)
Operating Income	**1,660**	2,089	2,010
Other Income and Expenses, net	**153**	199	214
Interest Expense	**439**	422	424
Income Before Income Taxes	**1,374**	1,866	1,800
Income Tax Expense	**303**	652	634
Net Income	**$1,071**	$1,214	$1,166
Other Comprehensive Income, net of tax			
Reclassification into earnings from cash flow hedges	**1**	2	2
Other Comprehensive Income, net of tax	**1**	2	2
Comprehensive Income	**$1,072**	$1,216	$1,168

Source: Information Response 13

Exhibit II-37
Duke Energy Progress, LLC
Balance Sheet and Income Statement
2016, 2017, and 2018

Consolidated Balance Sheets

(in millions)	December 31, 2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 23	$ 20
Receivables (net of allowance for doubtful accounts of $2 at 2018 and $1 at 2017)	75	56
Receivables of VIEs (net of allowance for doubtful accounts of $5 at 2018 and 2017)	547	459
Receivables from affiliated companies	23	3
Inventory	954	1,017
Regulatory assets	703	352
Other	62	97
Total current assets	2,387	2,004
Property, Plant and Equipment		
Cost	31,450	29,583
Accumulated depreciation and amortization	(11,423)	(10,903)
Generation facilities to be retired, net	362	421
Net property, plant and equipment	20,388	19,101
Other Noncurrent Assets		
Regulatory assets	4,111	3,507
Nuclear decommissioning trust funds	2,503	2,588
Other	612	599
Total other noncurrent assets	7,226	6,694
Total Assets	$ 30,011	$ 27,799
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 660	$ 402
Accounts payable to affiliated companies	278	179
Notes payable to affiliated companies	294	240
Taxes accrued	53	64
Interest accrued	116	102
Current maturities of long-term debt	603	3
Asset retirement obligations	509	295
Regulatory liabilities	178	139
Other	408	376
Total current liabilities	3,099	1,800
Long-Term Debt	7,451	7,204
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	2,110	1,883
Asset retirement obligations	4,311	4,378
Regulatory liabilities	3,055	3,999
Accrued pension and other post-retirement benefit costs	237	248
Investment tax credits	142	143
Other	106	45
Total other noncurrent liabilities	10,870	10,696
Commitments and Contingencies		
Equity		
Member's Equity	8,441	7,949
Total Liabilities and Equity	$ 30,011	$ 27,799

Consolidated Statements of Operations and Comprehensive Income

(in millions)	Years Ended December 31, 2018	2017	2016
Operating Revenues	**$5,609**	$5,129	$5,277
Operating Expenses			
Fuel used in electric generation and purchased power	**1,882**	1,609	1,830
Operation, maintenance and other	**1,578**	1,439	1,565
Depreciation and amortization	**901**	725	703
Property and other taxes	**155**	156	156
Impairment charges	**33**	19	1
Total operating expenses	**4,649**	3,948	4,255
Gains on Sales of Other Assets and Other, net	**9**	4	3
Operating Income	**1,050**	1,185	1,025
Other Income and Expenses, net	**87**	115	132
Interest Expense	**319**	293	257
Income Before Income Taxes	**827**	1,007	900
Income Tax Expense	**160**	292	301
Net Income and Comprehensive Income	**$ 667**	$ 715	$ 599

Source: Information Response 13

Exhibit II-38
Piedmont Natural Gas Company, Inc.
Balance Sheet and Income Statement
2016, 2017, and 2018

Consolidated Balance Sheets

(in millions)	December 31, 2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ —	$ 19
Receivables (net of allowance for doubtful accounts of $2 at 2018 and 2017)	266	275
Receivables from affiliated companies	22	7
Inventory	70	66
Regulatory assets	54	95
Other	19	52
Total current assets	431	514
Property, Plant and Equipment		
Cost	7,486	6,725
Accumulated depreciation and amortization	(1,575)	(1,479)
Net property, plant and equipment	5,911	5,246
Other Noncurrent Assets		
Goodwill	49	49
Regulatory assets	303	283
Investments in equity method unconsolidated affiliates	64	61
Other	52	65
Total other noncurrent assets	468	458
Total Assets	$ 6,810	$ 6,218
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 203	$ 125
Accounts payable to affiliated companies	38	13
Notes payable to affiliated companies	198	364
Taxes accrued	84	19
Interest accrued	31	31
Current maturities of long-term debt	350	250
Regulatory liabilities	37	3
Other	58	69
Total current liabilities	999	874
Long-Term Debt	1,788	1,787
Other Noncurrent Liabilities		
Deferred income taxes	551	564
Asset retirement obligations	19	15
Regulatory liabilities	1,181	1,141
Accrued pension and other post-retirement benefit costs	4	5
Other	177	170
Total other noncurrent liabilities	1,932	1,895
Commitments and Contingencies		
Equity		
Common stock, no par value: 100 shares authorized and outstanding at 2018 and 2017	1,160	860
Retained earnings	931	802
Total equity	2,091	1,662
Total Liabilities and Equity	$ 6,810	$ 6,218

Consolidated Statements of Operations and Comprehensive Income

(in millions)	Years Ended December 31, 2018	2017	Two Months Ended December 31, 2016	Year Ended October 31, 2016
Operating Revenues				
Regulated natural gas	$ 1,365	$ 1,319	$ 320	$ 1,139
Nonregulated natural gas and other	10	9	2	10
Total operating revenues	1,375	1,328	322	1,149
Operating Expenses				
Cost of natural gas	584	524	144	391
Operation, maintenance and other	357	304	50	353
Depreciation and amortization	150	148	23	137
Property and other taxes	49	48	7	43
Impairment charges	—	7	—	—
Total operating expenses	1,149	1,031	224	924
Operating Income	226	297	98	225
Equity in earnings (losses) of unconsolidated affiliates	7	(6)	2	29
Gain on sale of unconsolidated affiliates	—	—	—	133
Other income and expense, net	14	(11)	(2)	(1)
Total other income and expenses	21	(17)	—	161
Interest Expense	81	79	12	69
Income Before Income Taxes	166	201	86	317
Income Tax Expense	37	62	32	124
Net Income	$ 129	$ 139	$ 54	$ 193
Other Comprehensive Income, net of tax				
Unrealized loss from hedging activities of equity method investments	—	—	—	(3)
Reclassification into earnings from hedging activities of equity method investments	—	—	—	4
Other Comprehensive Income, net of tax	—	—	—	1
Comprehensive Income	$ 129	$ 139	$ 54	$ 194

Source: Information Response 13

B. Findings and Conclusions

Governing Regulations, Orders, and Decision from the Commission Regarding Affiliate Transactions

Finding II-1 **All copies of all governing regulations, orders, and decisions from the Commission regarding affiliate transactions were not provided by Duke Energy initially during this audit.**

Selected orders from the *Governing Regulations, Orders, and Decision from the Commission Regarding Affiliate Transactions* section of this chapter were discussed during initial interviews, including two which weren't in IR#2 response:[112]

- *DOCKET NO. E-7 986D*, which was an after merger order, as a sub-docket, but not included in IR#2 response. Report on the Affiliate Audit of Duke Energy Carolinas and Duke Energy Progress, submitted by Vantage Energy Consulting, LLC, and the Commission's Order on Audit Recommendations, both of which can be found in Docket No. E-7, Sub 986D (filed March 31, 2015, and March 29, 2016, respectively). The Vantage study added this docket, when it wanted to change when CAM submitted, but which was considered problematic.
- *DOCKET NO. E-7, Sub 1100A*, which was a Piedmont result from FERC addition, including requirements, but not included in IR#2 response. The Commission's Order Granting Motion to Amend Regulatory Conditions (Amended Piedmont Merger Order) issued August 24, 2018, which can be found in Docket No. E-7, Sub 1100A. Duke Energy indicated that approved regulatory conditions exists for DEC and DEP after merger.

It was strange that Duke Energy didn't include in a response to one of our initial requests; however, it's not clear why Duke Energy indicated the request was overly broad and then attached only the ones they found relevant to the audit. Duke Energy added later that they felt the Commission had all orders currently, so only orders that they found most relevant to this audit were provided to Schumaker & Company. But it is not clear how the relevancy was determined by Duke Energy.

Finding II-2 **Duke Energy has addressed many prior Vantage audit recommendations.**

The RFP for this audit included "Determining whether or not the systems, policies and procedures, cost allocation manual(s), and other operations of DEC and DEP in place as of March 31, 2019 adequately reflect the Commission's decisions and the agreements between DEC, DEP, and the Public Staff concerning Recommendation Nos. VI-R3, VI-R4, VII-R1, VII-R2, and VIII-R4, as set forth in the *Order on Audit Recommendations* issued on March 29, 2016, in Docket No. E-7, Sub 986D." These recommendations include:

- *VI-R3* – Reporting on the appropriateness of the cost allocation factors should be enhanced.
- *VI-R4* – Direct charging in all service functions should continue to increase through continued analysis of work requirements and the correlation between allocation and work functions

should be increased by finding allocation factors with better correlation to activity than the "three factor formula."

- *VII-R1* – Compliance with Regulatory Condition 5.12 should be strengthened by including transactions between DEBS and the Operating Companies in the universe of affiliate transactions from which samples are selected and, if applicable, cost allocation percentages should be tested as part of the internal audit of affiliate transactions.
- *VII-R2* – The Corporate Audit Staff's planned schedule of internal audits should include a comprehensive audit of the cost allocation methodologies used by the Operating Companies and the Service Company.
- *VIII-R4* – Inquiries from employees about compliance questions and concerns should be tracked and used as the basis for developing examples and scenarios for subsequent training courses, and greater use should be made of focus groups.

Duke Energy indicates the following responses to these specified Vantage recommendations are as follows:

- *VI-R3* – Duke Energy Director of Allocations & Reporting/Subject Matter Expert (SME) indicates that the changes have been implemented. Schumaker & Company agrees, as discussed in *Finding II-7*.[113]
- *VI-R4 – Task VA_R03_T01* – Instructions provided to assignees, including Duke Energy Director of Allocations & Reporting, and other assignees and representatives, has a due date of 6/29/2020, but has not started yet. They are to be overviewed at least annually, including by performing the following steps in OpenPages, acknowledging, attesting, and/or verifying compliance with the associated obligation is supposed to happen:[114]
  - Mouse over the Actions on the upper right side and select "Edit this Task"
  - Under the Task Overview section, change the Status to "Complete"
  - Enter any Assignee Explanation as necessary to support completion of this task
  - Provide a reference (i.e. SharePoint link, File Share, etc.) in the Assignee Explanation to any supporting documentation that may be accessed in the future
  - Press "Save" at the bottom right corner

  By changing the status of the task item to complete, assignees/representatives are attesting that they are aware of and have completed the following requirement action items:

  - Direct charging in all service functions should continue to increase through continued analysis of work requirements and the correlation between allocation and work functions should be increased by finding allocation factors with better correlation to activity than the "three factor formula."
  - Commission Conclusion: Based on the foregoing, the Commission concludes that the Companies are addressing the concerns articulated in the Audit Report recommendation *VI-R4*.

- Provide a link of reference to any supporting documentation in the Assignee Explanation field for how this recommendation is continuing to be being met.

No Assignee Explanation sections exists in VA_R03_T01 write-up.

- *VII-R1* – Duke Energy Manager of Audit Services/Subject Matter Expert (SME) indicates that the changes have been implemented. See *Chapter III – Cost Accumulation and Assignment and Cost Allocation Methodologies* for a discussion of internal audit annual reviews and reports, including between DEBS and the operating companies and, if applicable, direct charges or cost allocation percentages. Schumaker & Company consultants also performed a random sample of affiliate transactions, which was selected from the audit period and reviewed in detail to confirm information obtained in interviews and in information responses
- *VII-R2 – Task VA_R04_T01* – Instructions provided to assignees, including an Audit Manager and other assignees and representatives, has a due date of 6/29/2019, and has been completed. They are to be overviewed at least annually, including by performing the following steps in OpenPages, acknowledging, attesting, and/or verifying compliance with the associated obligation is supposed to happen:[115]
  - Mouse over the Actions on the upper right side and select "Edit this Task"
  - Under the Task Overview section, change the Status to "Complete"
  - Enter any Assignee Explanation as necessary to support completion of this task
  - Provide a reference (i.e. SharePoint link, File Share, etc.) in the Assignee Explanation to any supporting documentation that may be accessed in the future
  - Press "Save" at the bottom right corner

  By changing the status of the task item to complete, assignees/representatives are attesting that they are aware of and have completed the following requirement action items:

  - The Corporate Audit Staff's planned schedule of internal audits should include a comprehensive audit of the cost allocation methodologies used by the Operating Companies and the Service Company.
  - Commission Conclusion: Based on the foregoing, the Commission concludes that the Companies are addressing the concerns articulated in the Audit Report recommendation *VII-R2* resolves the concerns articulated therein.
  - Provide an explanation of how and when the CAM will be audited.
  - Provide a link or reference to any supporting documentation in the Assignee Explanation field for how this recommendation is continuing to be being met.
- *VIII-R4 – Task VA_R05_T01* – Instructions provided to assignees, including an Ethics and Compliance assignee and other assignees and representatives, has a due date of 6/29/2020, and has been completed. They are to be overviewed at least annually, including by performing the following steps in OpenPages, acknowledging, attesting, and/or verifying compliance with the associated obligation is supposed to happen:[116]

- Mouse over the Actions on the upper right side and select "Edit this Task"
- Under the Task Overview section, change the Status to "Complete"
- Enter any Assignee Explanation as necessary to support completion of this task
- Provide a reference (i.e. SharePoint link, File Share, etc.) in the Assignee Explanation to any supporting documentation that may be accessed in the future
- Press "Save" at the bottom right corner

By changing the status of the task item to complete, assignees/representatives are attesting that they are aware of and have completed the following requirement action items:

- Inquiries from employees about compliance matters and concerns should be tracked and used as the basis for developing examples and scenarios for subsequent training courses, and greater use should be made of focus groups.
- Commission Conclusion: Based on the foregoing, the Commission concludes that the Companies' agreement to comply with Audit Report recommendation *VIII-R4* resolves the concerns articulated therein.
- Provide an explanation of how an explanation of how inquiries from employees about compliance matters and concerns are being tracked and used as the basis for developing examples and scenarios for subsequent training courses; as well as how focus groups are being used.
- Provide a link or reference to any supporting documentation in the Assignee Explanation field for how this recommendation is continuing to be being met.

Assignee Explanation indicates that inquiries are discussed among the Compliance team and tracked in email folders, and other process notes. Concerns are also tracked via the separate EthicsLine processor via the Issue Management process within Compliance. Trainings are updated as needed based on the comments received. One area which frequently receives questions is related to the Service Agreements and the associated Service Request eForm. In response to these frequent questions:

- The Pricing Guide is frequently shared with employees as needed.
- Compliance periodically meets with members of Finance (i.e. focus group) regarding the Service Request eForm.
- "Service Request Overview" job aid was developed to assist the Financial contacts with the Service Request eForms.

As the five items above were discussed in the RFP, Duke Energy also provided some information about all Vantage recommendations. Besides those above, *Exhibit II-39* summarizes each recommendation activity.

Exhibit II-39
Summarization Response of Vantage Recommendations Activity by Duke Energy

Recommendation Reference		Response
Chapter III	R1	Covered in task MC16_R27_T03
Chapter III	R2	Covered in task MC16_R27_T06
Chapter III	R3	Covered in task VA_R02_T01
Chapter V	R1	Covered in tasks VA_R01_T01 / VA_R01_T02 / VA_R01_T03
Chapter V	R2	Covered in tasks VA_R01_T01 / VA_R01_T02 / VA_R01_T03
Chapter V	R3	Not required to implement per order
Chapter VI	R1	Not required to implement per order
Chapter VI	R2	Covered in task VA_R03_T04
Chapter VI	R3	Change has been implemented per SME / Duke Energy Director of Allocations & Reporting
Chapter VI	R4	Covered in task VA_R03_T01
Chapter VI	R5	Covered in tasks VA_R03_T02 / VA_R03_T03
Chapter VI	R6	Not required to implement per order
Chapter VI	R7	Covered in task CoC_R04_T12
Chapter VI	R8	Covered in task CoC_R04_T12
Chapter VII	R1	Change has been implemented per SME / Duke Energy Manager of Audit Services
Chapter VII	R2	Covered in task VA_R04_T01 (Retired)
Chapter VII	R3	Covered in task CoC_R04_T12
Chapter VIII	R1	The procedure to fulfill this is on the following files: Procedure - Audit Request for OpenPag , Procedure - Audit Request for OpenPag
Chapter VIII	R2	Such reporting capabilities exist per SME / Senior IT Business Analyst
Chapter VIII	R3	Trainings are reviewed and updated annually and are provided to select audiences that include different paths based on the individual's respective role: Covered in tasks VA_R05_T01 / MC16_R95_T01
Chapter VIII	R4	Covered in task VA_R05_T01
Chapter VIII	R5	Trainings are reviewed annually by the parties with interests, provide test questions, and provide applicable scenario-based questions: Covered in tasks VA_R05_T01 / MC16_R95_T01
Chapter X	R1	The Market Competitiveness Study filing (DR #17) included Insurance and states the insurance team annually reviews the service agreement with the Third-Party Administrator for pricing and services.

Source: Information Response 73

Of these, it appears that only the following three recommendations were not addressed, as Duke Energy indicated that "Not required to implement per order," as the Commission concluded Duke Energy was not required to complete them and that is why they were not completed.

- *V-R3*: Costs charged against Service Requests should be monitored and the disposition of any overages recorded.
- *VI-R1*: The annual filing date for the CAM should be changed to November 15 for the CAM going into effect for the following year.
- *VI-R6*: A procedure should be implemented for notifying the Commission of changes in sub-allocation factors in order to fully comply with Regulatory Condition 5.5(d)

Duke Energy Companies

Finding II-3 No formal organization chart of companies, departments, and/or employees is kept by Duke Energy.

Only detailed information like that shown in *Exhibit II-3* (Duke Energy Corporation Corporate Structure showing companies) was provided to Schumaker & Company, as of December 31, 2019, without being in a usual organization chart.[117] Also only a spreadsheet was provided showing employees and contractors of Duke Energy, but not including Duke Energy Carolinas for some reason (although subsequently provided):[118]

- Information included Worker ID, Name, Jobtitle, Company, and Level Relationships with other Workers, as level #s go up the relationships goes down.
- The terminology is "Worker" as it includes employees and contractors.
- Only Mangers are assigned to levels.
- The Ethics and Compliance group showed us how to use pivot tables to see how items fit together.

Finding II-4 It was difficult to review the organization file of employees without discussions with Duke Energy staff.

During the May 12, 2020 interview with the Corporate Compliance group, the Lead Ethics and Compliance Analyst in the Organization/Department was demonstrating how to navigate the organization file "SHMKR_DR_03.1 2020 Carolina's Affiliate Audit Employee Companies Rev3." As an example, he was displaying the Director Analysis & Reporting's team (the head of this team is "Level8 Manager Full Name"), and noted that one of the managers (a "Level9 Manager Full Name") did not show as under the Level8 Manager Full Name, while his direct reports did show as under the Level8 Manager Full Name. Upon further review, the reason the Level9 Manager Full Name did not show up under the Level8 Manager Full Name is because the organization structure was not being pulled historically. The people data was historical, but the organization structure was current and trying to tie back to historical people. That is the origin of the inconsistency the example Level9 Manager Full Name. The Level9 Manager Full Name actually reported to another person, rather than example Level8 Manager Full Name. The updated file with the correct organization structure and people data is "SHMKR_DR_03.2 2020 Carolina's Affiliate Audit Employee Companies with Hist Org Structure 5-15. The tab "Verification" shows WorkDay system screenshots for verification and shows that, as of 12/31/2018, where the Level8 Manager Full Name reported.[119]

Also, while reviewing this new pull of data, the HR data team (HRSupport) discovered 15 anomalies. (See Anomalies tab). These are simply a timing difference in the date of the employee transfer/move and the date of the department creation. Finally, a "Pivot-Workers by Mgr" tab was added as requested.[120]

Products & Services among Affiliates

Finding II-5 **The type of products and services provided among affiliates are generally reasonable.**

As shown in *Exhibit II-4*, *Exhibit II-5*, and *Exhibit II-6*, the products and services among affiliates are generally reasonable in Duke Energy. Refer to *Chapter IV – Capital Allocation among Subsidiaries* for analyses performed by Duke Energy regarding use of affiliates versus vendors.

Level and Nature of Affiliate Transactions

Finding II-6 **Many of the transactions have been increasing among affiliates, but as discussed elsewhere in our report, analyses of services and products bought from affiliates rather than vendors has been performed.**

As previously shown, *Exhibit II-16* shows actual affiliate transactions from DEC, DEP, and Piedmont to affiliates, *Exhibit II-17* shows affiliate transactions to DEC, DEP, and Piedmont from affiliates, and *Exhibit II-18* and *Exhibit II-19* shows affiliate transactions from DEBS to DEC, DEP, and Piedmont.[121]

Cost Allocation Manual Documentation and OpenPages

Finding II-7 **Shared Services Cost Distribution Details, including description of services provided and associated allocation methods and factors, are generally reasonable.**

As shown in *Exhibit II-40*, the allocation methods and factors used by Duke Energy, including DEC, DEP, and Piedmont are generally reasonably used.[122] Also refer to *Chapter III – Cost Accumulation and Assignment and Cost Allocation Methodologies* for allocation methods and factors.

Exhibit II-40
Services Provided and Associated Allocation Methods and Factors

Function	Function Description	Allocation Method/Factor
Information Systems	Development and support of mainframe computer software applications	Number of Central Processing Unit (CPU) Seconds Ratio (millions)
	Procurement and support of personal computers and related network and software applications	Number of Personal Computer Workstations Ratio
	Development and support of distributed computer software applications (e.g., servers)	Number of Info Systems Servers Ratio
	Installation and operation of communication systems	Number of Employees Ratio
	Information systems management and support services	Number of Personal Computer Workstations Ratio
Meters	Procures, tests, and maintains meters	Number of Customers Ratio
Transportation	Procures and maintains vehicles and equipment	Number of Employees Ratio
	Procures and maintains aircraft and equipment	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Electric System Maintenance (Coordinates maintenance and support of electric transmission and distribution systems)	Services related to transmission system	Circuit Miles of Electric Transmission Lines Ratio
	Services related to distribution system	Circuit Miles of Electric Distribution Lines Ratio
Marketing and Customer Relations Grid Solutions (Advises the client companies in relations with domestic utility customers)	Design and administration of market solutions standard and/or operational programs	Number of Customers Ratio
	Customer meter reading, billing, and payment processing; Market solutions non P&L processes.	Number of Customers Ratio
	Customer services, including the operation of call center	Number of Customers Ratio
	Cost associated with Smart Grid activities	Number of Customers Ratio
Electric Transmission & Distribution Engineering & Construction	Transmission engineering and construction	(Electric Transmission Plant's) Construction expenditures Ratio
	Distribution engineering and construction	(Electric Transmission Plant's) Construction expenditures Ratio
Power Engineering & Construction	Designs, monitors, and supports the construction of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units or improvements to existing electric generating units. Prepares cost and schedule estimates and visits construction sites to ensure that construction activities coincide with plans.	(Electric Production Plant's) Construction Expenditures Ratio
Human Resources	Establishes and administers policies and supervises compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Processes payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.	Number of Employees Ratio
Supply Chain (Provides services in connection with the procurement of materials and contract services, processes payments to vendors, and manages material and supplies inventories.)	Procurement of materials and contract services and vendor payment processing	Procurement Spending Ratio
	Management of materials and supplies inventory	Inventory Ratio

Facilities	Operates and maintains office & service buildings. Provides security& housekeeping services for such buildings & procures office furniture and equipment.	Square Footage Ratio
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 laws and regulations.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E) for operating units except DPNL (distribution panel?), which uses Generating Unit MW Capability Ratio (MDC)
	Rate of Return - Allocates the Service Company's portion of the utilities chargeback for affiliate use of space.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Power Planning & Operations (Coordinates the planning, management, and operation of Duke Energy Corp's electric power systems, including the planning of additions and retirements to Duke Energy Corp's electric generation, transmission, and distribution systems)	Generation planning	Electric Peak Load Ratio
	Transmission planning	Electric Peak Load Ratio
	Distribution planning	Weighted Average of the Circuit Miles of Electric Distribution Lines Ratio and the Electric Peak Load Ratio
Power Planning & Operations (Coordinates the energy dispatch and operation of Duke Energy Corp's electric generating units and transmission and distribution systems.	Generation dispatch	Sales Ratio
	Transmission operations	Weighted Average of the Circuit Miles of Electric Transmission Lines Ratio and the Electric Peak Load Ratio
	Distribution operations	Weighted Average of the Circuit Miles of Electric Distribution Lines Ratio and the Electric Peak Load Ratio
	Power Operations – provides management and support services for Duke Energy Corporation's electric generation system.	Generating Unit MW Capability/ MDC Ratio
Public Affairs	Prepares and disseminates information to employees, customers, government officials, communities and the media. Provides graphics, reproduction lithography, photography, and video services.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
	Utility specific activities	Weighted Average of # of Customers Ratio and # of Employees Ratio
Legal	Renders services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate, and other legal matters.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Rates	Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements. Researches and forecasts customers' usage.	Sales Ratio
Finance	Renders services to Client Companies with respect to investments, financing, cash management, risk management, claims and fire prevention. Prepares budgets, financial forecasts, and economic analyses.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
	Services related to electric distribution system	Circuit Miles of Electric Distribution Lines Ratio
	Services related to electric generation system	Electric Peak Load Ratio

Rights of Way (Purchases, surveys, records, and sells real estate interests for Client Companies)	Services related to electric transmission system	Circuit Miles of Electric Transmission Lines Ratio
Internal Auditing	Reviews internal controls and procedures to ensure that assets are safeguarded & that transactions are properly authorized and recorded.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Environmental, Health, and Safety	Establishes policies and procedures and governance framework for compliance with environmental, health, and safety (EHS) issues, monitors compliance with EHS requirements, and provides EHS compliance support to the Client Companies' personnel.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
	Utility specific activities	Sales Ratio
Fuels	Procures coal, gas, and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.	Sales Ratio
Investor Relations	Provides communications to investors and the financial community, performs transfer agent and shareholder record keeping functions, administers stock plans and performs stock-related regulatory reporting.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Planning	Facilitates preparation of strategic and operating plans, monitors trends, and evaluates business opportunities.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Executive	Provides general administrative and executive management services.	Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Interest	Allocates interest.	

Source: Information Response 9
MW=Megawatt / MDC= Maximum Dependable Capacity

Three factor formula, plus factors designed to agree with a group's usage, are used. Unlike before, it doesn't appear that three factor formulas are used too much.

In the past audit *Recommendation VI-R4* stated that "direct charging in all service functions should continue to increase through continued analysis of work requirements and the correlation between allocation and work functions should be increased by finding allocation factors with better correlation to activity than the three factor formula".

Direct charging, as shown previously in *Exhibit II-18* and *Exhibit II-19* illustrates that apparently a reasonable amount of direct charges are now occurring from DEBS to affiliates, especially for DEBS to DEC.[123] For example, in 2018, approximately 59% of non-Accounting transactions were directly charged to DEC, 12% of non-Accounting transactions were directly charged to DEP, and 60% of non-Accounting transactions were directly charged to Piedmont.[124] Somewhat low for charges to DEP; however, in other years, direct charges of non-Accounting transactions were reasonably good, as shown below in *Exhibit II-41*.[125]

Exhibit II-41
% of Direct Charges of Non-Accounting Transactions Used

DEBS to DEC: Non-Accounting Transactions				
2014	**2015**	**2016**	**2017**	**2018**
56.31%	55.77%	59.66%	66.48%	58.67%
DEBS to DEP: Non-Accounting Transactions				
2014	**2015**	**2016**	**2017**	**2018**
48.03%	46.70%	48.13%	51.75%	12.13%
DEBS To Piedmont: Non-Accounting Transactions				
2014	**2015**	**2016**	**2017**	**2018**
N/A	N/A	76.41%	46.65%	60.15%

Source: Information Response 8 Consultant Analysis

Now, as illustrated in *Exhibit II-40* above, roughly only 11 of the 59 items use the Three Factor Formula (Gross Margin, Labor Dollars, PP&E) factor for allocating costs.[126]

Finding II-8 **OpenPages is also generally reasonable; however, the Internal Audit group does not necessarily give the Corporate Compliance group access to audits.**

Most activities performed by the Corporate Compliance group within OpenPages are reasonable activities; however, the Internal Audit group does not necessarily give compliance access to audits.[127]

Finding II-9 **Unfortunately, the CAM revised in 2019 for 2020 wasn't provided to the Commission by March 31, 2020, as it is still in progress.**

In Duke Energy's CAM, it states that the CAM shall be updated annually, and the revised CAM shall be filed with the Commission no later than March 31 of the year that the CAM is to be in effect. DEC, DEP, and Piedmont shall review the appropriateness of the allocation bases every two years, and the results of such review shall be filed with the Commission. Interim changes shall be made to the CAM, if and when necessary, and shall be filed with the Commission, in accordance with Regulatory Condition 5.6.

Unfortunately, the CAM revised in 2019 for 2020 wasn't provided to the Commission by March 31, 2020, as it still in progress.

Finding II-10 **The CAM documentation has been developed to ensure that the Regulatory Conditions and the Code of Conduct in a timely, consistent, and effective manner have been established and are being maintained.**

The North Carolina Code of Conduct, which has been approved by NCUC, applies in North Carolina and South Carolina. In the CAM documentation, it governs the relationships, activities, and transactions between and among the public utility operations of DEC, the public utility operations of DEP, the public utility operations of Piedmont, Duke Energy Corporation, other affiliates, and the

nonpublic utility operations of DEC, DEP, and Piedmont.[128] The CAM also address the requirements of Regulatory Conditions required by NCUC.[129]

Also, specifically, the CAM documentation specifies compliance with Code of Conduct Sections III.A.1 (related to separation), III.A.2 (related to customer information), and III.A.3 (related to confidential systems operation information):[130]

- *Separation* – DEC, DEP, Piedmont, Duke Energy, and the other affiliates shall operate independently of each other and in physically separate locations to the maximum extent practicable; however, to the extent that the Commission has approved or accepted a service company-to-utility or utility-to-utility service agreement or list, DEC, DEP, Piedmont, Duke Energy, and the other Affiliates may operate as described in the agreement or list on file at the Commission. DEC, DEP, Piedmont, Duke Energy, and each of the other Affiliates shall maintain separate books and records. Each of DEC's, DEP's, and Piedmont's Nonpublic Utility Operations shall maintain separate records from those of DEC's, DEP's, and Piedmont's public utility operations to ensure appropriate cost allocations and any arm's-length-transaction requirements.
- *Disclosure of Customer Information*:

  a. Upon request, and subject to the restrictions and conditions contained herein, DEC, DEP, and Piedmont may provide Customer Information to Duke Energy or another Affiliate under the same terms and conditions that apply to the provision of such information to non-Affiliates. In addition, DEC and DEP may provide Customer Information to their respective Nonpublic Utility Operations under the same terms and conditions that apply to the provision of such information to non-Affiliates.

  b. Except as provided in Section III.A.2.(f), Customer Information shall not be disclosed to any Affiliate or non- affiliated third party without the Customer's consent, and then only to the extent specified by the Customer. Consent to disclosure of Customer Information to Affiliates of DEC, DEP, and Piedmont or to DEC's or DEP's Nonpublic Utility Operations may be obtained by means of written, electronic, or recorded verbal authorization upon providing the Customer with the information set forth in Attachment A; provided, however, that DEC, DEP, and Piedmont retain such authorization for verification purposes for as long as the authorization remains in effect. Written, electronic, or recorded verbal authorization or consent for the disclosure of Piedmont's Customer Information to Piedmont's Nonpublic Utility Operations is not required.

  c. If the Customer allows or directs DEC, DEP, or Piedmont to provide Customer Information to Duke Energy, another Affiliate, or to DEC's or DEP's Nonpublic Utility Operations, then DEC, DEP, or Piedmont shall ask if the Customer would like the Customer Information to be provided to one or more non-Affiliates. If the Customer directs DEC, DEP, or Piedmont to provide the Customer Information to one or more non-Affiliates, the Customer Information shall be disclosed to all entities designated by the Customer contemporaneously and in the same manner.

d. Section III.A.2.shall be permanently posted on DEC's, DEP's and Piedmont's website(s).

e. No DEC, DEP, or Piedmont employee who is transferred to Duke Energy or another Affiliate, shall be permitted to copy or otherwise compile any Customer Information for use by such entity except as authorized by the Customer pursuant to a signed Data Disclosure Authorization. DEC, DEP, and Piedmont shall not transfer any employee to Duke Energy or another Affiliate for the purpose of disclosing or providing Customer Information to such entity.

f. Notwithstanding the prohibitions in this Section III.A.2.:

- DEC, DEP, and Piedmont may disclose Customer Information to DEBS, any other Affiliate, or a non- affiliated third party without Customer consent to the extent necessary for the Affiliate or non-affiliated third party to provide goods or services to DEC, DEP, or Piedmont and upon the written agreement of the other Affiliate or non-affiliated third-party to protect the confidentiality of such Customer Information. To the extent the Commission approves a list of services to be provided and taken pursuant to one or more utility-to-utility service agreements, then Customer Information may be disclosed pursuant to the foregoing exception to the extent necessary for such services to be performed.
- DEC and DEP may disclose Customer Information to their Nonpublic Utility Operations without Customer consent to the extent necessary for the Nonpublic Utility Operations to provide goods and services to DEC or DEP and upon the written agreement of the Nonpublic Utility Operations to protect the confidentiality of such Customer Information.
- DEC, DEP, and Piedmont may disclose Customer Information to a state or federal regulatory agency or court of competent jurisdiction if required in writing to do so by the agency or court.

g. DEC, DEP, and Piedmont shall take appropriate steps to store Customer Information in such a manner as to limit access to those persons permitted to receive it and shall require all persons with access to such information to protect its confidentiality.

h. DEC, DEP, and Piedmont shall establish guidelines for its employees and representatives to follow with regard to complying with this Section III.A.2.

i. No DEBS employee may use Customer Information to market or sell any product or service to DEC's, DEP's, or Piedmont's Customers, except in support of a Commission-approved rate schedule or program or a marketing effort managed and supervised directly by DEC, DEP, or Piedmont.

j. DEBS employees with access to Customer Information must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the Customer Information by employees of DEBS that do not have access to such information, or by other employees of Duke Energy or other Affiliates or Nonpublic Utility Operations of DEC and DEP.

k. Should any inappropriate disclosure of DEC, DEP, or Piedmont Customer Information occur at any time, DEC, DEP, or Piedmont shall promptly file a statement with the Commission describing the circumstances of the disclosure, the Customer information disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.

- *Confidential Systems Operation Information* – The disclosure of Confidential Systems Operation Information of DEC, DEP, and Piedmont shall be governed as follows:

a. Such CSOI shall not be disclosed by DEC, DEP, or Piedmont to an Affiliate or a Nonpublic Utility Operation unless it is disclosed to all competing non-Affiliates contemporaneously and in the same manner. Disclosure to non-Affiliates is not required under the following circumstances:

- The CSOI is provided to employees of DEC or DEP for the purpose of implementing, and operating pursuant to, the JDA in accordance with the Regulatory Conditions approved in Docket Nos. E-7, Sub 986, and E-2, Sub 998.
- The CSOI is necessary for the performance of services approved to be performed pursuant to one or more Affiliate utility-to-utility service agreements.
- A state or federal regulatory agency or court of competent jurisdiction over the disclosure of the CSOI requires the disclosure.
- The CSOI is provided to employees of DEBS pursuant to a service agreement filed with the Commission pursuant to G.S. 62-153.
- The CSOI is provided to employees of DEC's, DEP's, or Piedmont's Utility Affiliates for the purpose of sharing best practices and otherwise improving the provision of regulated utility service. The CSOI is provided to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of CSOI to be disclosed.
- Disclosure is otherwise essential to enable DEC or DEP to provide Electric Services to their Customers or for Piedmont to provide Natural Gas Services to its Customers.
- Disclosure of the CSOI is necessary for compliance with the Sarbanes-Oxley Act (SOx) of 2002.

b. Any CSOI disclosed pursuant Section III.A.3.(a)(i)-(viii) shall be disclosed only to employees that need the CSOI for the purposes covered by those exceptions and in as limited a manner as possible. The employees receiving such CSOI must be prohibited from acting as conduits to pass the CSOI to any Affiliate(s) and must have explicitly agreed to protect the confidentiality of such CSOI.

c. For disclosures pursuant to Section III.A.3.(a)(vii) and (viii), DEC, DEP, and Piedmont shall include in their annual affiliated transaction reports the following information:

- The types of CSOI disclosed and the name(s) of the Affiliate(s) to which it is being, or has been, disclosed;
- The reasons for the disclosure; and
- Whether the disclosure is intended to be a one-time occurrence or an ongoing process.

To the extent a disclosure subject to the reporting requirement is intended to be ongoing, only the initial disclosure and a description of any processes governing subsequent disclosures need to be reported.

d. DEC, DEP, Piedmont, and DEBS employees with access to CSOI must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the CSOI by employees that do not have access to such information, or by other employees of Duke Energy or other Affiliates or Nonpublic Utility Operations of DEC and DEP.

e. Should the handling or disclosure of CSOI by DEBS, or another Affiliate or Nonpublic Utility Operation, or its respective employees, result in (i) a violation of DEC's or DEP's FERC Statement of Policy and Code of Conduct (FERC Code), 18 CFR 358 - Standards of Conduct for Transmission Providers (Transmission Standards), or any other relevant FERC standards or codes of conduct, (ii) the posting of such data on an Open Access Same-Time Information System (OASIS) or other Internet website, or (iii) other public disclosure of the data, DEC or DEP shall promptly file a statement with the Commission in Docket No. E-7, Sub 1100C, and E-2, Sub 1095C, respectively, describing the circumstances leading to such violation, posting, or other public disclosure describing the circumstances leading to such violation, posting, or other public disclosure, any data required to be posted or otherwise publicly disclosed, and the steps taken to mitigate the effects of the current and prevent any future potential violation, posting, or other public disclosure.

f. Should any inappropriate disclosure of CSOI occur at any time, DEC, DEP, or Piedmont shall promptly file a statement with the Commission in Docket No. E-7, Sub 1100C, E-2, Sub 1095C, or G- 9, Sub 682C, respectively, describing the circumstances of the disclosure, the CSOI disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.

g. Unless publicly noticed and generally available, should the FERC Code, the Transmission Standards, or any other relevant FERC standards or codes of conduct be eliminated, amended, superseded, or otherwise replaced, DEC and DEP shall file a letter with the Commission in Docket Nos. E-7, Sub 1100E, and E-2, Sub 1095E, describing such action within 60 days of the action, along with a copy of any amended or replacement document.

Affiliate Agreements

Finding II-11 **The timing of procedures for making necessary modifications, clarifications, and corrections as updates to the affiliate agreements and lists of services, including following NCUC orders, is not being scheduled timely.**

In looking at the various affiliate agreements, the dates for these agreements varies substantially and are not necessarily updated on a regularly scheduled basis.

Finding II-12 **A special contract, not an affiliate agreement, has been developed for Piedmont gas transactions.**

Piedmont Natural Gas Company, Inc. (PNG) became an affiliate of Duke Energy Carolinas, LLC (DEC) after being acquired by parent company, Duke Energy Corporation, on October 3, 2016. Through the normal course of DEC's fuels procurement activity, DEC may occasionally engage in spot natural gas transactions on an arm's length basis at a competitive market price from PNG. Between the period January 1, 2017 and December 31, 2019, DEC conducted 27 spot purchases and one spot sale with PNG. These transactions were conducted on an arm's length basis and at market prices as of the time of the transactions. These transactions utilized the existing North American Energy Standards Board (NAESB) Base Contracts for Sale and Purchase of Natural Gas dated April 1, 2004 and February 23, 2018 between PNG and DEC.[131]

Instead of an affiliate agreement, these two confidential contracts have been used.[132] However, Schumaker & Company found them acceptable, concluding they are standard arrangements for spot purchases.

Internal Controls

Refer to *Chapter III – Cost Accumulation and Assignment and Cost Allocation Methodologies* for internal controls.

Correspondence between Directors and Officers

Finding II-13 **None of the information discussed in the Background and Perspective section of this chapter mentioned affiliate relationships or cost allocations being part of agenda; plus the agendas that Duke Energy provided from 2015 to 2019 did not typically include them.**

Regulatory Policy Committee Meetings

Essentially this committee was provided information about operations performance and updates, but not necessarily affiliate relationships or cost allocations, as these words did not appear.[133]

Audit Committee Meetings

The agendas for this committee state when there was a Corporate Audit Services (CAS) update but do not provide additional information about the content of the presentation. As background, the audit plan for the upcoming year is generally approved at the December Audit Committee meeting. As an example, attached was the CAS update from 2017, which indicates CAS has a required 2018 audit for Affiliate Property Rates and State Affiliate Transactions. Subsequent presentations in 2018 with the Committee provide an update in the Appendix on key observations from these audits.[134] As another example, attached was the CAS update from 2019, which also did not include affiliate relationships or cost allocations, as these words did not appear.[135]

Finding II-14 **Supposedly information and data regarding direct charges or allocations are specifically also not given to BOD members.**

Supposedly not direct charges or allocations are specifically given to BOD members. When asked about affiliate relationships and transactions information provided to the BOD, which we couldn't find immediately, the Development Assignment/Corporate Legal Support/Corporate Secretary employee indicated that only issues impacting entities, including all affiliates and relationships would be provided to BOD, plus any NCUC regulatory proceedings to BOD.[136]

Financial Statements

Finding II-15 **Financial statements reflect revenues and expenses for all items, including affiliate transactions, but does not appear to badly modify.**

As shown previously in *Exhibit II-36*, *Exhibit II-37*, and *Exhibit II-38*, DEC, DEP, and Piedmont have reasonable financial statements.

C. Recommendations

Governing Regulations, Orders, and Decision from the Commission Regarding Affiliate Transactions

Recommendation II-1 **Easily keep track of all governing regulations, orders and decisions from the Commission regarding affiliate transactions in future. (Refer to Finding II-1.)**

When future audits occur, Duke Energy should be able to provide all copies of all governing regulations, orders, and decisions from the Commission regarding affiliate transactions to make the Duke Energy groups responsible for them have been able to fully review requirements and make sure Duke Energy has addressed requirements.

Recommendation II-2 **Generally Duke Energy should address all Schumaker & Company audit recommendations. (Refer to Finding II-2.)**

As previously discussed in *Finding II-2*, Duke Energy did not address three of the Vantage recommendations, as the Commission concluded Duke Energy was not required to complete them, but should address all of Schumaker & Company recommendations.

Duke Energy Companies

Recommendation II-3 **Keep a formal organization chart of showing Duke Energy companies and associated employees reporting, so outside personnel reviewing Duke Energy can easily determine how it is structured. (Refer to Finding II-3 and Finding II-4.)**

Keeping such a formal organization chart will address the following findings:

- *Finding II-3* – No formal organization chart of companies, departments, and/or employees is kept by Duke Energy.
- *Finding II-4* – It was difficult to review the organization file of employees without discussions with Duke Energy staff.

Most utilities we review have detailed organization charts in addition to spreadsheets.

Products & Services among Affiliates

None.

Level and Nature of Affiliate Transactions

None.

Cost Allocation Manual Documentation

Recommendation II-4 **Have the Compliance Group access to related internal audits that address what they're reviewing. (Refer to Finding II-8.)**

As previously discussed OpenPages is also generally reasonable; however, the Internal Audit group who does not necessarily give the Corporate Compliance group who uses OpenPages access to audits. Unfortunately they should have been given such audits.

Recommendation II-5 **Make sure that CAM documentation is updated annually and provided to the Commission in an appropriate timely manner by March 31 of the year to be used. (Refer to Finding II-9.)**

Unfortunately, the CAM revised in 2019 for 2020 wasn't provided to the Commission by March 31, 2020, as it still in progress.[137] Therefore, during the conduct of this audit, the Last CAM provided was 2018 based.

Affiliate Agreements

Recommendation II-6 **Review and update, if necessary, all affiliate agreements at least every two years. (Refer to Finding II-11.)**

To make sure that affiliate agreements are generally up-to-date with current information, they must be reviewed at least every two years, and updated if necessary.

Internal Controls

Refer to *Chapter III – Cost Accumulation and Assignment and Cost Allocation Methodologies* for internal controls.

Correspondence between Directors and Officers

Recommendation II-7 **Provide detailed information regarding affiliate relationships, plus direct charges and cost allocations, to BOD members, at least annually. (Refer to Finding II-13 and Finding II-14.)**

None of the information discussed in the *Background and Perspective* section of this chapter mentioned affiliate relationships or cost allocations being part of agenda; plus the agendas that Duke Energy

provided from 2015 to 2019 did not include them. Also, supposedly information and data regarding direct charges or allocations are specifically also not given to BOD members.

Regulatory Policy Committee Meetings

Essentially this committee was provided information about operations performance and updates, but not necessarily affiliate relationships or cost allocations, as these words did not appear.[138]

Audit Committee Meetings

Although 2017 agenda indicated Affiliate Property Rates and State Affiliate Transactions Financial Statements topics, and supposedly in 2018 a presentation was made. However, not necessarily affiliate relationships or cost allocations in the 2019 agenda, as these words did not appear.

III. Cost Accumulation and Assignment and Cost Allocation Methodologies

A. Background and Perspective

Duke Energy Policies and Procedures Governing Affiliate Transactions

The Policies and Procedures governing Duke's affiliate transactions were reviewed by S&C and are listed in *Exhibit III-1*. Summaries of each of these policy and procedures are summarized in this section. *Exhibit III-1* shows the creation date of the policy and procedure document and the planned revision date. All the policies and procedures were noted to be past their revision date, excepting Service Agreements, but discussion with various management personnel yielded that these policies and procedures are still valid with no changes currently being needed.[139]

It is important to note that all Duke policies and procedures are owned by the business areas. They are not subject specifically to an internal audit, but Corporate Audit Services (CAS) does interface with various policies and procedures when it conducts an audit in a business area. If deficiencies are found, those are called out and addressed specifically at that time. Through discussion with CAS management, the policies and procedures related to affiliate transactions were noted as operating without any significant issues.[140]

Exhibit III-1
Policies, Procedures, Manuals, and Agreements Governing Affiliate Transaction
April 2020

Company Policies and Procedures	Creation Date	Revision Date
Accounting for Intercompany Transactions	7/31/2004	12/31/2019
Approval of Business Transactions	7/1/2000	1/11/2017
Cost Allocation Manual	Pre-2000*	3 / 2018
Delegation of Authority	8/31/2000	2/1/2014
Labor Charging and Payroll Policy	10/1/2014	4/1/2017
Purchasing Controls Policy	3/31/2004	9/1/2017
Reconciliation of Accounts	4/30/2001	3/4/2020
Service Agreements	Various	See Below

Source: Information Responses 9, 10, 14, 15, 18, 20, and 74
*: The initial CAM documented was created prior to 2000 and is updated annually

Accounting for Intercompany Transactions

The Duke Energy Accounting Policy for Intercompany Transactions begins with the Policy Intent/Philosophy and Expectations. These first two sections lay out the policy's goal of ensuring

timely, accurate and consistent reconciliations, and recording and eliminating intercompany transactions in accordance with GAAP. The requirements of the policy are broken down into the following areas:[141]

- Timing
- Dispute Resolution
- Methods for recording intercompany transactions
  - Manual Balancing
  - Automated Crossbill
- Settlements
- **Accounting for Non-Routine Transactions**
  - These are used in the cases of accounting for major transactions, new accounting guidelines/pronouncements/issues, and significant, or non-recurring transactions (e.g., sale of a business). For these non-standard events, the business unit Controller is responsible for ensuring the accounting for intercompany transactions is considered and that any identified affiliate transactions are accurately recorded and eliminated during the consolidations processing.
- **Consolidations/Eliminations**
  - All intercompany transactions are eliminated within the consolidated financial statements, in accordance with GAAP. To ensure accurate and timely elimination, business unit Intercompany Process Owners are responsible for the review of the Intercompany Out of Balance Reports and other reports as needed to be sure that intercompany balances and the effect of eliminations on financial statement line items are appropriate before reports are submitted to the business unit controllers for final review.
- **Account Reconciliations**
  - This section of the Accounting for Intercompany Transactions directs the reader to the Account Analysis and Reconciliation Policy which is described below.

The policy concludes with a discussion of Roles and Responsibilities of the Corporate Controller, Business Unit Controller, Enterprise IC Process Owner, Business Unit IC Process Owner and the Seller, Sender and Purchaser, & Receiver.[142]

This policy is thorough and complete, as mentioned in *Finding III-5*, with reviews and approvals necessary for the conduct of business. Board approval is still required for strategic programs that exceed the President and CEO approval limits. The policy continues with the details on the accountability for each person approving transactions based on their role and responsibility in the company. The policy concludes with a matrix summarizing Authority Limits in a format by transaction type and role within the company, such as President and CEO or EVP and CFO.[143] This policy and procedure is also covered in *Chapter II* as a part of the internal controls description.

Approval of Business Transactions

This policy applies to the President and CEO and the Senior Management Committee (SMC) members, while the Delegation of Authority applies to all other employees. The policy outlines the minimum

reviews and approvals necessary for the conduct of business. Board approval is still required for strategic programs that exceed the President and CEO approval limits. The policy continues with the details on the accountability for each person approving transactions based on their role and responsibility in the company. The policy concludes with a matrix summarizing Authority Limits by transaction type and role within the company, such as President and CEO or EVP and CFO.[144] This policy and procedure is also covered in *Chapter II* as a part of the internal controls description.

Cost Allocation Manual

A description of the cost allocation manual is addressed in *Chapter II* and the cost accumulation methodologies and allocations from the manual are covered in this chapter, next section – Cost Allocation Methodologies. The manual has been used at Duke for many years and updated annually for submission to the Commission.[145]

Delegation of Authority

The Delegation of Authority Policy and Procedure is addressed in *Chapter II* as a part of the Internal Controls section.

Labor Charging and Payroll Policy

The purpose of this Policy is to ensure labor hours worked are recorded to the appropriate accounting chartfields and Duke Energy jurisdictions. The policy applies to all US payroll systems and requires all employees to report time each pay period, per their business areas formal labor charging guidelines. These labor charging guidelines are reviewed by the Controller's Department – Allocations and Reporting – annually. Also, each business area is responsible to review, semi-annually, the default labor accounting (exempt employees only) and pay center / responsibility center for all employees.[146]

The Labor Charging policy goes on to define roles for employees, managers, Area Time Keepers, Controller's Department, and the business areas. The employees are responsible to report their time and managers are responsible to review and approve time reported. Area Time Keepers are the designated people who can makes changes in time sheets, in addition to the employee and managers. The Controller's Department is responsible to review each area's labor charging guidelines on an annual basis, and the Business Areas are responsible to submit each area's labor charging guidelines to the Controller's Department – Allocations and Reporting. Business Areas are also responsible to perform semi-annual reviews of default labor distributions (exempt employees only) and pay company/responsibility center combination for all employees.[147]

Purchasing

This policy is addressed here and in *Chapter II – Affiliate Relationships* as a part of the internal controls description and is described here as it is one of the policies that governs affiliate transactions.[148]

Approval of Transactions

There are a number of procedures that govern the decision-making process used in the determination of what services are needed for DEC, DEP, and Piedmont and how these services should be acquired. The documents that support and guide the decisions and purchase options include:[149]

- Approval of Business Transactions (ABT) document, which:[150]
  - Applies to the President and CEO and the Senior Management Committee (SMC) members.
  - Outlines minimum reviews and approvals required for the execution of transactions, comments and forms necessary for the conduct of business concerning:
    - Duke Energy
    - Consolidated subsidiaries of Duke Energy (includes all Duke utilities)
    - Non-consolidated subsidiaries of Duke Energy
- Authority Limit Matrix, which indicates the review and approval requirements and limits for different types of transactions and cost levels. This matrix provides the authority limits of the President and CEO and the SMC members for different types of transactions.[151]
- Delegation of Authority (DOA) which establishes authority limits for all employees with the Duke Energy organization below the SMC level, including employees based outside of the United States. This policy applies to business transactions that are part of an individual's normal course of business for commitments of five years or less. It applies to routine transactions including, but not limited to, invoice approvals, requisition approvals, employee expense approvals, and project approvals. However, this document does not allow employees to make commitments.[152]
- Purchasing Control Policy (PCP) - this document defines roles, responsibilities, and requirements related to the procurement process. The owner of this policy is the Chief Transformation & Administration Officer. Formerly, the owner was the SVP, Chief Accounting Officer and Controller.[153] This document provides direction and guidance concerning:[154]
  - Purchases of all goods and services, with some exceptions.
  - Single source purchases – this type of purchase requires approval by a VP and the Supply Chain organization. If the purchase amount would be greater than $250,000, documentation is required explaining the reason for single sourcing.
  - Soul source purchases – this directive applies to purchases over $250,000 and must be approved by the Supply Chain organization.
  - E-forms – this form must be completed for single and soul source purchases. The average annual number of E-forms submitted to justify single and soul source purchases over the past three years (2017 – 2019) for all of the Duke Energy companies exceeded one million. The number associated with DEC, DEP, and Piedmont purchases was not available.[155]

- Corporate Cards – these are Visa or MasterCard credit cards. The Internal Audit Department uses an algorithm to audit these transactions. There have been no serious findings concerning corporate cards over the past five years. Generally, these cards have a $5,000 limit, with exceptions for employees who are required to travel frequently. In 2018 (the last year for which this data was available) the number of average active cards were 19,461 for all the Duke Energy companies. It was not possible to break this down by company. There is a rebate program attached to the Corporate Card expenditures. The total rebate on Corporate Credit Card expenditures was $4.9 million in 2018, with a rebate percentage of 1.44% of expenditures. There is a SOx control that reviews and tests this program.
- Segregation of Duties – this policy prescribes separation of purchasing duties. There is a SOx control for this requirement.

Category Management

Category Management is the process by which Duke segments recurring expenditures for products and services that involve similar sourcing expertise and stakeholders. It provides the strategic approach by which Supply Chain functions align business partner goals and customer requirements with supply market capability. Categories of spending may be further segmented into sub-categories that are managed collectively and often sourced and supported by a common supply base. The focus is on prudently leveraging economies of scale across the Duke enterprise of companies to increase value and promote financial synergies.[156]

The Category Management process is managed by a Category Management department with a manager and seven staff. There are 10 – 12 high level categories of purchases or spend, such as professional services, with sub-categories of engineering, administration, project management, IT developers, etc. The utilization of the Category Management process can be proactive or reactive. This can include monitoring changes of components of items that are purchased, for example, the price of the metal, copper, plastic, wire, and other components of transformers in order to help determine the most appropriate timing and economic price points for the purchase of transformers.[157]

Category managers are assigned to major strategic categories and initiatives based on business and market drivers to deliver the greatest value to the organization. The Category Portfolios to which the Category Managers are assigned provide strategic direction to the sourcing teams. There are routine and business specific categories / sub-categories that are managed by the sourcing teams in alignment with the category management principles.[158]

To assist in this process, the Category Management Department utilizes several automated systems, including PowerAdvocate Solution Suite and OneSource.[159]

PowerAdvocate

PowerAdvocate is a third-party application provider that provides software applications to the utility and oil and gas industries. Duke Energy supply chain utilizes five PowerAdvocate application solutions in its sourcing, category management, and analytics functions. These five PowerAdvocate applications include Spend Intelligence, Cost Intelligence, Sourcing Intelligence, Market Intelligence, and Supplier Intelligence.[160]

- Spend Intelligence - This module aggregates and organizes enterprise data to help gain visibility into spend categorization and provides data cleansing and analytics to enrich and classify spend data in alignment with Duke spend decisions.
- Cost Intelligence - This module provides cost modeling and index-based should-cost tool to compare price trends to market cost trends. It provides cost modeling, market indices and reports, and should-cost capabilities to quantify how prices should have moved and will move.
- Sourcing Intelligence - This module provides process automation tools and a 70,000+ supplier database to manage complex bid events, allow "go-to-market" faster, and enhances supplier competition. This allows Duke to engage more qualified suppliers to compete to drive prices down, make it easier to compare bids, increase the volume of bid events, reduce cycle time per event, draw on expertise from all internal stakeholders, allows measuring savings, and tracks improvements over time.
- Market Intelligence - This module provides automated data retrieval and user-configurable dashboards to create, execute, and repeat category plans from a single place. This enables enhanced value by focusing on value-add activities, accessing current and accurate data, and standardizing and centralizing the category management processes.
- Supplier Intelligence - This module provides automated data collection, analysis, and reporting to scale and sustainability of supplier relationship management and diversity programs. This allows assessment of supplier performance, collection of critical supplier data, and growth of a diverse supply base.[161]

OneSource

OneSource is a supply chain application developed internally by Duke Energy that enables users to search commercial agreements, terms and conditions, and supplier payment information related to third-party/external spend. Views and search capabilities provide insight into historical and existing agreements across Duke Energy enterprise-wide to use in obtaining the best total cost solution for goods and services.[162] Key features include:[163]

- Contracts - This is a repository of Duke Energy Supply Chain contracts from multiple systems including Maximo, CAS, and Symfact. Contract records are pushed daily from the source systems or users can load documents directly into the application. OCR (optical character recognition) technology translates scanned images to text data, enabling the ability to search

words, terms and phrases within a single contract or across all agreements. Stored metadata is also available to filter by, including vendor name, record ID, buyer, site, PO type and status.

- Spend - This a data view that represents the fully burdened cost associated with payment transactions with 3rd Party entities. The feature provides multiple filters that enable Supply Chain to focus on and analyze transactions by given vendors, date range, jurisdiction and accounting class. Spend provides real-time information based on payments made to vendors while also allowing users to view trends over multiple months and years. Data is organized by related contracts, purchase orders and invoices, where available.
- Management View - This provides a detailed view of key information by organization and manager, providing metrics and insights. Views include expiring contracts, open PO's and payment terms.
- Indices - Displays indices referenced within company contracts. Users can view recent index changes that may impact negotiations or contract pricing to inform sourcing strategies.
- Rebates - Displays system identified incentive clauses within supplier contracts. Provides visibility to terms to ensure the organization receives contractual incentives due.
- Dashboard - This is an initial landing page that displays key insights specific to the user from across the application. Direct navigation takes the user to the data record for more information.

Category Plan

Category plans are built in the PowerAdvocate application and are interactive, allowing personnel to select specific spend elements, cost indices, etc. to drill down into additional detail(s) as required. Category plans provide comprehensive information such as:[164]

- Business objectives
- Key strategy levers
- Key risks
- Spend data
  - Top supplier spend
  - Spend by region
  - Annual spend
  - Top 10 supplier spend
  - Purchased category items
  - Jurisdiction/business unit spend
  - Operating/business unit consumption
  - Managed spend for PO or contract
  - Direct vs. indirect spend
  - Transactions
  - Sub-category spend

- Cost data
  - Should-cost model
  - Cost breakdown
  - Commodity trends
  - Cost exposure
  - News feeds
  - Top suppliers
- Sourcing intelligence
  - Supply chain sourcing group
  - Open/pending/post bid events
  - Completed bid events
- Supplier intelligence/corporate responsibility
  - Supplier list
  - Diverse suppliers
  - Diverse spend
  - Local spend
  - Diverse suppliers
  - Local suppliers

Market Competitiveness Study

Pursuant to the Commission's August 4, 2016 *Order Requesting Additional Information Regarding Studies* and the December 28, 2016 *Order Granting Extension of Time*, Duke Energy performed a Market Competitiveness Study as required by Regulatory Condition 5.2 (b). At the time of the Vantage management audit in 2015, the required Market Study had not been done. An earlier study produced by an outside consulting firm in 2009 was considered by the Commission to be too detailed, dense, and difficult to follow. Reasons for the delay in developing and conducting a new market study included the lack of guidance, a number of services moved out of DEBS into regulated utilities, and the acquisition of Piedmont Natural Gas in 2016. There was a Commission Order March 29, 2016 requiring the market study by end of 2016. Work started on the market study April 2016, after meeting with the Commission Staff to discuss methodology and scope. A delay until January 2016 was granted, and the study was completed January 2017. The timeline for the 2016 Market Competitiveness Study is shown in *Exhibit III-2.*[165]

Exhibit III-2
Timeline for 2016 Market Competitiveness Study
December 31, 2019

June 29, 2012	*Order Approving Merger Subject to Regulatory Conditions and Code of Conduct*, Docket Nos. E-7, Sub 986 and E-2, Sub 998 – approved Regulatory Condition No. 5.2 requiring market studies every four years.
August 3, 2015	Joint Filing by DEC, DEP and Public Staff in Docket No. E-7, Sub 986D, reflecting that they are continuing to discuss the scope of market studies.
March 29, 2016	*Order on Audit Recommendations* in Docket No. E-7, Sub 986D, indicating that market study due by end of the year.
April 6, 2016	Meeting with Public Staff to discuss methodology and scope of market study (See attached Power Point that was shared with Public Staff only)
August 10, 2016	Duke filed status report on market study status.
December 20, 2016	Duke files a motion for extension of time for filing market study by end of 2016.
January 13, 2017	Duke files market study at the NCUC in Docket No. E-7, Sub 986D.

Source: Interview 15

Core utility functions (core competencies of Duke Energy) are not included in the market study. These are services critical to operations of the utilities and not generally available on the open market.[166]

The Compensation Ongoing Review & Evaluation (CORE) process is used to compare market salary competitiveness to Duke's compensation salary bands. This Human Resources process is used as part of the cost/benefit analysis comparing the cost of outsourced services vs inside services and is performed across the enterprise by the HR Compensation Department on a revolving three-year schedule.[167]

DEBS services were listed on the approved services list for DEC and DEP and were reviewed in the scope of the Market Scope Assessment. The documentation and evidence suggested to be gathered as part of the market study included:

- Description of the function provided to the utility companies
- Documentation explaining the cost/benefit of the service
- History of the process
- Current employee and contingent worker numbers
- Location in a Feasibility Matrix based on perceived risk to the utility, relation to Core Competencies, and strategic importance of the work to be performed
- Contact person for the function or service[168]

Market competitiveness studies are supposed to be performed every four years. The 2020 Market Study has not yet been started. The Duke Energy Compliance Department has been tasked with developing this study by January 2021 (four years from the date the last market study was filed with the Commission).[169]

Reconciliation and Account Analysis Policy

The Account Analysis and Reconciliation Policy provides guidance for analyzing and reconciliating balance sheet accounts and is correctly noted to be the foundation for strong internal controls and an accurate general ledger and, subsequently, accurate financial statements. Accounts are reconciled regularly based on the risk assigned to that account. Until an account is analyzed, using an in-house template referred to as the "Account Risk Assessment Template" it is reconciled monthly, the same as all high-risk accounts. After an account is analyzed and its Risk determined: High, Medium or Low Risk, it is reconciled monthly, quarterly or every 6 months, respectively, depending on risk assignment.[170]

The supporting documentation for each reconciled account is maintained in a specific repository. In the repository resides evidence of the account reconciliation review as well as supporting documentation including the account balance, any necessary correcting journal entry IDs and any reconciling items. Supporting documentation can also include subledger reports, calculation workpapers, invoices, amortization schedules, contracts and bank or 3rd party statements of account.[171]

All reconciling items are required to be investigated in 90 days or less. The Finance Governance group monitors the status of all reconciliations and issues noncompliance reports to appropriate Management, as deemed necessary.[172]

Service Agreements

There are four types of service agreements that govern intercompany activities at Duke. Note that these agreements remain unsigned, as the NCUC has not issued a final order approving them. DEC, DEP, and Piedmont have interim authority to operate under these agreements until the NCUC issues a final order approving them. The agreements are listed below and then summarized:[173]

There are four types of service agreements that govern intercompany activities at Duke, listed below and then briefly summarized below:[174]

- Operating Companies / Nonutility Companies Service Agreement
- Operating Companies Service Agreement
- Service Company Utility Service Agreement
- Intercompany Asset Transfer Agreement

Operating Companies / Nonutility Companies Service Agreement[175]

This agreement addresses situations in which Duke operating companies and non-utility companies provide services to each other and specifies 1) the types of services that can be provided (including

loaned employees), 2) service request documentation needed to request services, and 3) billing and compensation for those services. Services that can be provided as listed in Article 1 of the Service Agreement are:[176]

- Engineering and construction, operations and maintenance, installation services, equipment testing, generation technical support, environmental, health and safety, procurement services, and analytical technical support, and in the case of services that may be provided by nonutility companies: such as information technology services, monitoring, surveying , inspecting, constructing, locating and marking, or overhead an underground utility facilities, meter reading, material management, vegetation management, and marketing and customer relations.

Compensation, detailed in Article 3 of the agreement, specifically notes that charges must be in accordance with NC and SC law and the rules, regulations and orders of the NCUC and the Public Service Commission of South Carolina (PSCSC) and the payment required of the client company is consistent with the requirements of the Code of Conduct. As specified in the agreement:

- (a) If the operating company is the service provider, the client company will pay the higher of the fully embedded cost (sum of direct costs, indirect costs and costs of capital) and the comparable market price, if any; (b) when the non-utility company is the service provider, client company shall pay the lower of embedded cost and the comparable market price (if any). Service provider will provide a statement reflecting the billing information necessary to identify the cost charged for a month. By the last day of the month, client shall remit to service provider all charged billed to it.

The costing specified in the agreement is consistent with the Code of Conduct including asymmetrical pricing.

Operating Companies Service Agreement[177]

The Operating Company Service agreement covers DEC, DEP and Piedmont as well as other Duke operating companies. As the Operating Company / Non-utility agreement, it specifies approved services, including loaned employees, service request document and billing and compensation for the services. The details from the agreement for services that can be provided and compensation for those services are shown below:

- Services that can be provided by operating companies: Engineering and construction, operations and maintenance, installation services, equipment testing, generation technical support, environmental, health and safety, and procurement services (including but not limited to fuel procurement). Services may also include the use of assets, equipment and facilities.
- Compensation for Service specifies that the client company will pay to the service provider the sum of direct costs, indirect costs and costs of capital. The service provider will provide a statement reflecting the billing information necessary to identify the cost charged for a month. By the last day of the month, the client company shall remit to the service provider all charges

billed to it or record billings and payments in common accounting systems without rendering paper or electronic monthly statements or remitting cash payments.

Service Company Utility Service Agreement

The Service Company agreement is among the Duke operating companies, including DEC, DEP and Piedmont and the Duke service company, Duke Energy Business Services (DEBS). In this agreement services that can be provided are listed along with allocation methodologies. Those services are summarized by company providing the service in *Exhibit III-3*, in the next section. Compensation for services specifies the client company pays to the service company all costs that reasonably can be identified and related to particular services performed by the service company for, or on, its behalf. If more than one client company is involved, or receives benefits from a service performed, costs will be directly assigned, distributed or allocated, as detailed in an appendix specifying allocation methodologies (see *Exhibit III-7* for summary of services and allocation methodologies) between or among such companies on a reasonable basis related to the service performed as is practicable.[178]

Intercompany Asset Transfer Agreement[179]

The Intercompany Asset Transfer agreement is among the Duke operating companies, including DEC, DEP and Piedmont. Under the terms of this agreement, a transfer cannot take place if the transfer of that asset will jeopardize the Transferor's ability to render electric utility service or natural gas utility service to its customer consistent with Good Utility Practice or if cost exceeds $10 million. Compensation for a transferred asset is specified for Inventory Items as "the average unit price of such Inventory Items as recorded on the books of the Transferor, plus stores, freight, handling, and other applicable costs" and for assets other than Inventory Items, "net book value".[180]

Cost Allocation Methodologies

Description of Transactions

Services

Services provided between affiliates are detailed in the service agreements. Changes to services that can be provided among the affiliates are rare, but are changed for specific occurrences, such as mergers. The services detailed in the service agreements described above are listed in *Exhibit III-3* by the providing company.[181]

Exhibit III-3
Service Provided, by Company
2018

Service Co	Operating Company	Non utility
Information Systems	Engineering and Construction	Engineering and Construction
Meters	Operations and Maintenance	Operations and Maintenance
Transportation	Installation Services	Installation Services
System Maintenance	Equipment Testing	Equipment Testing
Marketing and Customer Relations	Generation Technical Support	Generation Technical Support
T&D Engineering & Construction	Environmental	Environmental
Power Engineering & Construction	Health and Safety	Health and Safety
Human Resources	Procurement Services (including but not limited to fuel procurement)	Procurement Services
Supply Chain	Use of Assets, Equipment and Facilities	Analytical Technical Support
Facilities	Loaned Employees	Information Technology Services
Accounting		Monitoring
Power and Gas Planning and Operations		Surveying
Public Affairs		Inspecting
Legal		Constructing
Rate Design and Analysis		Locating and Marking, or Overhead and Underground Utility Facilities
Finance		Meter Reading
Rights of Way		Material Management
Internal Auditing		Vegetation Management
Environmental, Health and Safety		Marketing and Customer Relations
Fuels		Loaned Employees
Investor Relations		
Planning		
Executive		
Nuclear Development		

Source: Information Response 14

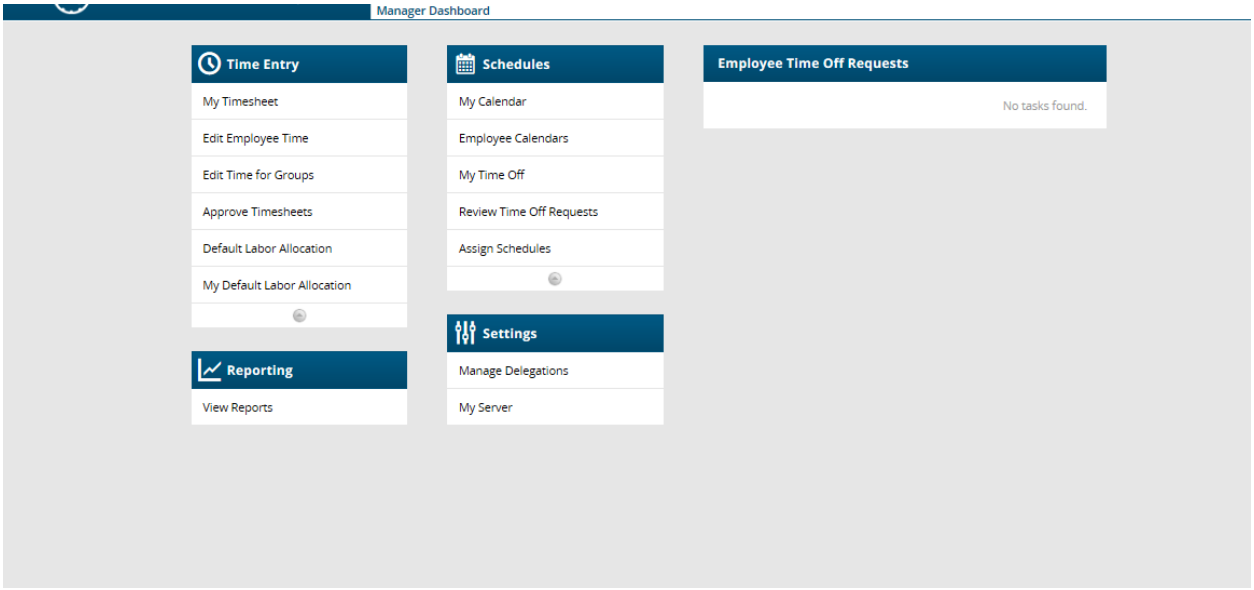
DEBS is a "net $0" company. For the most part, all costs incurred are billed to the client company either by direct charge or using the allocation methodology described in the Service Company, Service Agreement. The data used in the allocation methodologies is maintained in binder by the Allocations & Reporting – Corporate Accounting group for all Duke Energy. This group also tracks and reports Service Company allocations to receiving departments and answer requests from individual departments regarding the allocations. The Allocations & Reporting – Corporate Accounting group is also responsible for month-end close, account reconciliation, data requests from audits, and management reporting.[182]

Duke Energy uses approximately 20 factors for allocating Service Company costs, as shown later in *Exhibit III-6*. The allocation factors used do not change often because the methodologies have been agreed to and included in the various Service Company agreements. Adding a methodology/factor would require modifying the agreement documents and getting buy-in from the various states and regulatory bodies. A major change in business operations, such as the merger with Cinergy or Progress Energy or Piedmont Natural Gas, causes the methodologies (and the service agreements) to be modified. The real test of the methodologies used rests with the owners of the function. They have a vested interest in how the allocations are calculated and how much is allocated to affiliates in an area.[183]

Time Charging

These services are provided by company personnel charging their time in providing these services. Duke Energy uses a uniform time reporting process (MyTime) throughout the organization.[184] A screen capture from the Manager's Dashboard is shown in *Exhibit III-4*.[185]

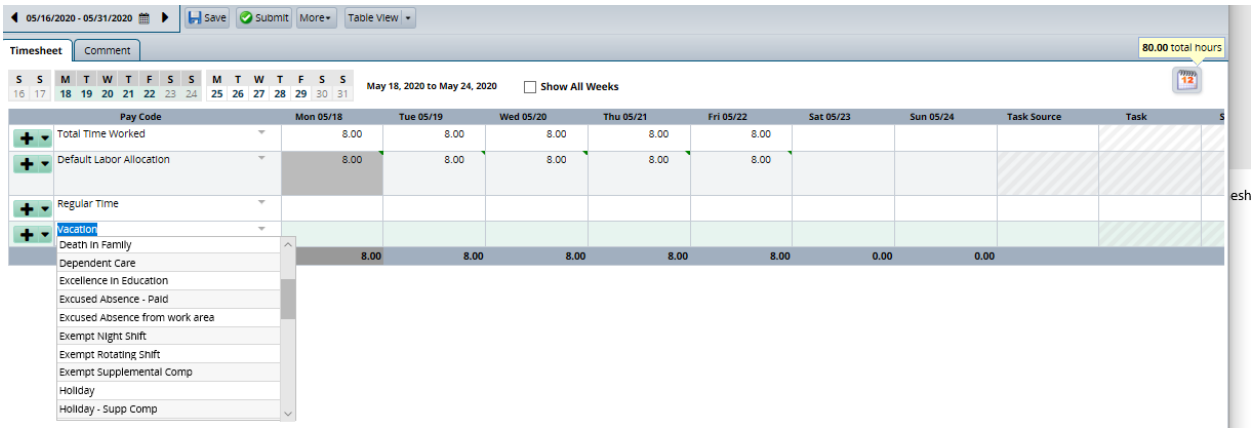
Exhibit III-4
MyTime Manager's Dashboard
as of June 25, 2020



Source: Information Response 64

Managers can edit and approve employee time: MyTime allows the managers to review their teams timesheets and any other groups that have been assigned to them.[186] Time entries are block coded such that they can be processed to create the downstream journal entries for charging the costs to the various affiliate entities. *Exhibit III-5* displays a timesheet.[187]

Exhibit III-5
MyTime Timeheet
as of May 6, 2020



Source: Information Response 64

All individuals report their time on a daily basis on a mid-month and end-of-month timeframe. Some individuals enter their time directly into MyTime and others might enter time into a separate work management system which feeds the information into MyTime. These hours are interfaced with the payroll system (through payroll vendors) to translate the hours into dollars. The allocation factors (operating units) can be applied to these dollars to create the journal entries for the allocations to the various operating entities (i,e. general ledgers). There is a separate system (Labor Distribution System) which then processes the payroll dollars into the various accounting code which get assigned or allocated to the various Duke Energy entities.

Labor Charging

Departmental employees are directed to direct charge if they can and only include their costs in the allocation pools if they cannot direct charge. Duke Energy's time reporting system, *MyTime*, which has been in use for 9 years was fully implemented on an enterprise basis in April 2011. The time reporting system has a default for employees' time, and it is charged unless changed by the person entering the time. Default charges are reviewed twice a year by the individual department and every year by the Allocations & Reporting – Corporate Accounting group.[188]

For allocated charges, one of two methodologies is used for recording intercompany transactions, as identified in Duke Energy's *Accounting for Intercompany Transactions* Policy documentation effective July 31, 2004.[189] These two methodologies are:

- *Manual Balancing*: Manual balancing is the methodology used for recording inter-business unit transactions and is used less frequently then the other two methods. Examples include: intercompany transactions that are required for recording loans, cash sweeps, or that generated the booking of revenue and generation of a receivable where both affiliates are using the PeopleSoft general ledger. Manual balancing is also used for recording investment/equity, intercompany derivatives, non-US$ transactions, or, in the case where the transaction is with an affiliate who is not on the enterprise-wide PeopleSoft general ledger.
- *Automated Crossbill*: All intercompany transactions that are required for recording allocations or expense/revenue transfers between corporate/business units are to be recorded using the automated crossbill methodology. Allocations or expense/revenue transactions recorded using this methodology may be recorded to third-party accounts rather than designated intercompany accounts as long as individuals responsible for the transaction ensure the propriety of the effect to the consolidated financial statement line items. The PeopleSoft system automatically generates the related receivable or payable to intercompany accounts.

Asset Transfers

According to Duke Energy management, there have not been any changes regarding the asset transfer process since the last management audit, nor are any changes anticipated.[190]

The IBM Maximo system is used for all inventory issues, returns, and transfers, regardless of entity.[191] It includes inventory stock transfers (Account # 154-Plant Materials and Operating Supplies in the sending entity to Account # 154 in the receiving entity); at the end of the month an automatic charge from Account # 163 (Storage, Freight, and Handling) of the sending entity is also transferred to Account # 163 in the receiving entity.[192]

Affiliate transfers of assets are governed by Federal Energy Regulatory Commission (FERC) 707 and asset transfer agreements. FERC 707 requires that transfers between regulated and non-regulated affiliates be priced using asymmetrical pricing. This requires that transfers from DEC, DEP and Piedmont to a non-regulated affiliate must be valued at the higher of cost or market, and transfers from non-regulated affiliates to DEC, DEP, and Piedmont be valued at the lower of cost or market price, referred to as asymmetrical pricing. Therefore, if a transfer is regulated to non-regulated and a market value adjustment is needed, then a gain is added via a journal entry. Conversely if a transfer is non-regulated to regulated, an adjustment via a journal entry is made, if needed. For regulated-to-regulated transfers, asymmetrical pricing is not required, but is done at cost.[193]

Cost Accumulation, Assignment, & Allocation

Costs are directly charged whenever possible. For charges that are shared between 2 of more affiliates, these are accumulated and then allocated to the appropriate client company, for whom the work was performed. Service company charges can be allocated using 20 different factors, shown in *Exhibit III-6*. The allocation factors are stable and change infrequently as the methodologies have been agreed to and included in the various Service Company agreements. Adding or changing a methodology/factor would require modifying the agreement documents and getting agreement from the various states and regulatory bodies. A major change in business operations, such a merger, causes the methodologies (and the service agreements) to be modified. However, the real test of the methodologies rests with the owners of the function. They have a vested interest in how the allocations are calculated and how much is allocated to affiliates in an area.[194]

Exhibit III-6
Allocation Factors
as of December 31, 2019

Factor
Circuit miles of electric transmission lines
Construction expenditures
Electric peak load
Generating unit MW capability/maximum dependable capacity (MDC)
Gross margin
Inventory
Labor dollars
Miles of distribution lines
Millions of instructions per second (MIPS)
Number of customers
Number of employees
Number of information systems servers
Number of meters
Number of personal computer (PC) work stations
O&M expenditures
Procurement spending
Revenues
Sales
Square footage
Total property, plant, and equipment

Source: Information Response 14

For allocated services, the Service Company Utility Service Agreement prescribes 24 functions with their associated allocation methodologies, as follows:[195]

Exhibit III-7
DEBS Allocation Factors by Function
as of December 31, 2018

Function / Service Provided	Allocation Factor
Information Systems	♦ Millions of Instructions per Second Ratio ♦ Number of Personal Computer Workstations Ratio ♦ Number of Information Systems Servers Ratio ♦ Number of Employees Ratio
Meters	♦ Number of Customers Ratio
Transportation	♦ Number of Employees Ratio ♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
System Maintenance	♦ Circuit Miles of Electric Transmission Lines Ratio ♦ Circuit Miles of Distribution Lines Ratio ♦ Labor Dollars Ratio
Marketing and Customer Relations	♦ Number of Customers Ratio
T&D Engineering & Construction	♦ Electric Transmission Plant Construction - Expenditures Ratio ♦ Electric Distribution Plant Construction - Expenditures Ratio
Power Engineering & Construction	♦ Electric Production Plant Construction - Expenditures Ratio
Human Resources	♦ Number of Employees Ratio
Supply Chain	♦ Procurement Spending Ratio ♦ Inventory Ratio
Facilities	♦ Square Footage Ratio
Accounting	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E) ♦ Generating Unit MW Capability /MDC Ratio (certain merger related costs)
Power and Gas Planning and Operations	♦ Electric Peak Load Ratio ♦ Weighted Average of Miles of Electric Distribution Lines Ratio and the Electric Peak Load Ratio ♦ Construction - Expenditures Ratio (Gas Distribution Operations and Planning) ♦ Sales Ratio ♦ Weighted Average of Circuit Miles of Electric Transmission Line Ratio and the Electric Peak Load Ratio ♦ Weighted Average of Circuit Miles of Electric Distribution Lines Ratio and the Electric Peak Load Ratio ♦ Generating Unit MW Capability/MDC Ratio
Public Affairs	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E) ♦ Weighted Average of Number of Customers Ratio and Number of Employees Ratio
Legal	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Rate Design and Analysis	♦ Sales Ratio
Finance	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Rights of Way	♦ Circuit Miles of Electric Transmission Lines Ratio ♦ Circuit Miles of Electric Distribution Lines Ratio ♦ Electric Peak Load Ratio
Internal Auditing	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Environmental, Health and Safety	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E) ♦ Sales Ratio
Fuels	♦ Sales Ratio
Investor Relations	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Planning	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Executive	♦ Three Factor Formula (Gross Margin, Labor Dollars, PP&E)
Nuclear Development	♦ Directly assigned/charged to participating jurisdictions

Source: Information Response 14

Internal Audit Annual Reviews and Reports

Corporate Audit Services (CAS) performs two types of standardized audits related to affiliate activities. The first type is the result of a merger condition requiring the performance of a continuous audit of transactions, which CAS achieves by conducting audits of transactions on a monthly basis. A report regarding the results of this ongoing audit is issued annually. The report is not filed with a commission, but it is a merger condition and as such, the commission can request the report, at any time. Reports are usually issued in the first quarter of a new year for the previous year.[196]

The second type of report issued by CAS analyzes Affiliate Property Rates to protect against potential cross subsidization resulting from shared facilities in which both regulated and non-regulated companies lease space. This report is also done annually.[197]

Other audits performed by CAS pertaining to DEC, DEP or Piedmont and their affiliate transactions, or affiliates were also conducted during the audit period. These audits related to an affiliate's effect on rates or services of DEC, DEP or Piedmont. 294 of these types of audits (excluding the ongoing transaction audits and the Affiliate Property Rates audits) were performed 2016 through the first three months of 2020 and are summarized by year in *Exhibit III-8*.[198]

Exhibit III-8
Audits Performed
2015 through 2020 (3/31)

Time Period	# of Audits
2015	Not Available
2016	64
2017	62
2018	72
2019	78
2020 (3 months)	18
Total	

Source: Information Response 53

Labor Charging Audit Memorandum

In mid-2016, CAS issued a follow up memorandum on an audit of the process to communicate and collect the labor charging guidelines for all relevant Duke Energy business areas. The Labor Charging and Payroll Policy which documents labor charging guidelines was in response to CAS findings in July of 2014. The policy defines labor charging guidelines and mandates that they be completed annually and submitted to the Controller's Department for review. The guidelines include a business areas labor charging philosophy (i.e., default or manual labor charging and direct charges to a project / jurisdiction or allocating labor) as well as the justification for their philosophy. The results of the CAS work

indicated that the process to collect and communicate the labor charging guidelines was operating. There was an additional note that additional instructions were needed to increase clarity and to help ensure sustainability of the process.[199]

Audit Committee Interface

CAS reports regularly to the Audit Committee. The audit plan for the upcoming year is generally approved at the December Audit Committee meeting and the CAS charter and annual performance evaluated. CAS updates are given four or five times a year at Audit Committee meetings. Review of the Audit Committee agendas shows CAS reported to the Audit Committee 22 times in the 2015 to 2019 time period.[200]

Annual Reports of Affiliate Transactions

Each year a report of Affiliate Transactions of DEC, DEP and Piedmont is filed with the NCUC around the end of May summarizing affiliate transactions related to each of those utilities. The report excludes activity associated with joint dispatch agreement between DEC and DEP. It also identifies transactions which were for accounting purposes only and do not represent an exchange of goods or services with an affiliate. Terms for compensation for these transactions are detailed in the service agreements as well as the Commodity Transfer Agreement, Limited Waiver of Cost – Based Pricing Pertaining to Rotable Spares and Nuclear Services Agreement and are subject to the North Carolina Code of Conduct. The report is comprised of 13 schedules listed in *Exhibit III-9*.[201]

Exhibit III-9
Annual Report of Affiliate Transactions Schedules
2018

Schedule	Schedule Description
1	Summary of Charges from Affiliates, excluding Accounting Only Transactions
2	Summary of Charges to Affiliates, excluding Accounting Only Transactions
3	Summary of Charges from Affiliates, Accounting Only Transactions
4	Summary of Charges to Affiliates, Accounting Only Transactions
5	Summary of DEBS Charges to Affiliates by Category and Service
6	Summary of DEBS Charges to Affiliates by Service and Primary FERC Account
7	DEBS Allocations to Affiliates by Service and Allocation Pool
8	Joint Purchases Report
9	Intercompany Asset Transfer Report
10	Rotable Fleet Spares Report
11	Commodity Transfers Report
12	Summary of DEBS Labor Charges to Affiliates by Category and Service
13	ACP Transactions (Atlantic Coast Pipeline)

Source: Information Response 7

Annually, each of these schedules are filed together in the Affiliate Transaction Annual Reports with the commission.[202]

Deadlines and requirements, such as those in the Affiliate Transaction Annual Report, are tracked with an Open Pages system. This system will track compliance issues, such as merger conditions, filings, or system access reviews, in which ownership of these issues is also kept.[203]

Sampling of Transactions

A random sample of affiliate transactions was selected from the audit period and reviewed in detail to confirm information obtained in interviews and in information responses. Transactions for the detail review were selected from affiliate transactions listed in the Annual Report of Affiliate Transactions, years 2015, 2016, 2017, and 2018, schedules 1, 2 and 5. (Note that the 2019 Report was not available at the time of this work). Schedules 1 through 5 held the summary by account of all actual (direct) and allocated transactions in dollars among Duke affiliates. Schedules that listed Accounting Transactions Only (Schedules 3 and 4) were not used for possible selections. Accounting Transactions Only represent accounting that was performed for the affiliate (i.e. recording a cash receipt for an affiliate without an intercompany effect) separate from the charge for performing the accounting work. Although the time spent performing these accounting tasks would be charged to the appropriate affiliate, the accounting transaction itself, would not be.[204]

From the Annual Report of Affiliate Transactions report schedules, the following totals, the summation of a year of transactions for each of the categories were selected at random:

- 2015: Schedule 5b, DEBS charges to DEP, Environmental Health and Safety $14,526,115.72
- 2016: Schedule 2.3, Piedmont To DEC (non nuclear) $1,728,139.59
- 2017: Schedule1.1 DEC From Piedmont (non nuclear) $1,615,008.99
- 2017: Schedule 5.1, DEBS Charges to DEC, Rights of Way $2,199,408.97
- 2018: Schedule 2.2, DEP to Cinergy Solutions – Utility, Inc. $6,154,411.14
- 2018: Schedule 1.1 DEC from Bison Insurance Company, $7,105,999.96
- 2018: Schedule 5.3, DEBS charges to Piedmont, Finance $7,785,678.12

Supporting schedules were obtained from the accounting department of the transactions from the year that comprised the reported annual line item totals. The total dollar amount from the selection was compared to the total of the schedule provided to confirm they were the same. Then the transaction descriptions in the schedules were reviewed noting consistency with the selected line item description from the Affiliate Annual Report. Once the schedule listing the transactions (the activity) for the year was confirmed to represent the selected line total, three specific transactions from each listing of transactions were selected for detail testing. This yielded a sample of 21 items for a detailed review.

The supporting documentation of each selected transaction was obtained and then reviewed to determine the validity of the transaction and that the transaction was supported with appropriate and adequate documentation. The selection yielded many different types of transactions such as purchases,

asset transfers, and services. All transactions reviewed were appropriate, adequately documented and consistent with the policies and procedures as documented by Duke Energy.

Lease Contracts

Leases are used at Duke for new construction projects or projects to retro fit an existing plant. Of the leases in effect during the audit period, 2015-2019 (see list in *Exhibit III-10*), WS Lee project is an example of new plant construction and the Belews Creek project is an example of a retrofit project. Belews Creek was a coal fire plant that was converted to burn natural gas in addition to coal. The leases represent the means by which fuel is brought to the new plant. In the case of new WS Lee plant or to the converted Belews plant.[205]

All leases, except Belews Creek, were negotiated prior to the PNG Duke merger. Therefore, these leases were negotiated and executed as arm's length transactions. Belews Creek is comparable to the other leases, except that some affiliate language is included in the lease that is not included in the other leases. During the audit period and going forward, all new leases are negotiated at arm's length. Select parties at Duke represent each affiliate and those parties work out and agree to lease terms. Just as lease agreement are negotiated and finalized for parties external to Duke, they are negotiated and finalized for affiliates. Also, all affiliate leases are sent to and reviewed by Commission Staff before they are executed.[206]

Leases and contracts active during the audit period were supplied to S&C by Duke. These were compared to a 2019 Duke debt listing obtained from the Duke website. On comparison of the two sets of leases, it appeared that one lease document was missing from those submitted to S&C. However later research revealed that the lease was an agreement between DEP and the Public Service Company of North Carolina, not a Duke affiliate, and so excluded from this testing.[207]

The contract leases with DEC, DEP and Piedmont are listed in *Exhibit III-10* with their origination date. Each lease contract and related documents, such as amendments or clarification letters, were reviewed noting that the lease was current with clearly defined services and charges. The terms of all the leases were comparable supporting the interview statement that leases negotiated before and after the merger were all negotiated as arm's lengths transactions.[208]

Exhibit III-10
Duke Affiliate Leases – DEC, DEP and Piedmont
2015 to 2019

Lease	Date
Buck Construction and Services Agreement	7/31/08
Buck Construction Amendment	8/1/11
Dan River Pipeline	3/29/10
Dan River Pipeline-Final Costs	9/5/12
Dan River Heaters-2nd Amendment	8/12/16
Dan River Heaters 2nd Amendment True up letter	11/29/18
WS Lee Combined Cycle Pipeline Construction and Redelivery	6/2/14
WS Lee CC True Up letter	11/20/17
WS Lee Final Joint Owners Letter- Billing Adj	8/22/18
Belews Creek Construction and Redelivery	7/20/18
Wayne Combined Cycle Pipeline Lease	10/21/09
Wayne Combined Cycle – 2nd Amendment	12/13/12

Source: Information Responses 21and 86 and Interviews 10 and 13

Gas and Electricity Transactions

As the incumbent local natural gas distribution company, Piedmont Natural Gas provides natural gas transportation services to Duke Energy Carolinas and Duke Energy Progress. Natural gas bypass has not been a common practice in North Carolina in accordance with state regulatory commission rules and regulations, as the process could be very involve d and potentially more costly for Duke Energy's regulated utility customers. As a result, numerous special contracts have been negotiated between Piedmont Natural Gas and Duke Energy Companies to handle the natural gas transportation needs of various gas fired power plants. These contracts have been negotiated over a period of years and have involved some state regulatory commission oversight. The negotiated contracts (special contracts) dictate the business relationship terms and conditions. Many of these contracts were negotiated when there was no ownership affiliation between Piedmont and Duke Energy companies. These contracts typically involved the construction of essentially a dedicated transmission line into the power generating facility and identification of the responsibility for the ongoing operation and maintenance of the transmission line by Piedmont. These contracts are shown in *Exhibit III-11*. Each customer can be thought of as a special contract for which specific business terms and conditions were negotiated.[209]

Exhibit III-11
Special Contracts Transportation Charges

Column1	Customer	2017	2018	2019
	DEC - BUCK	$ [redacted]	$ [redacted]	$ [redacted]
	DEC - LINCOLN	$ [redacted]	$ [redacted]	$ [redacted]
	DEC - DAN RIVER	$ [redacted]	$ [redacted]	$ [redacted]
	DEC - ROCKINGHAM	$ [redacted]	$ [redacted]	$ [redacted]
	DEC - BELEWS CREEK			$ [redacted]
	DEP - RICHMOND	$ [redacted]	$ [redacted]	$ [redacted]
	DEP - SUTTON	$ [redacted]	$ [redacted]	$ [redacted]
	DEP-SUTTON SIMPLE CYCLE	$ [redacted]	$ [redacted]	$ [redacted]
	DEP - WAYNE COUNTY	$ [redacted]	$ [redacted]	$ [redacted]
	DEP - HF LEE	$ [redacted]	$ [redacted]	$ [redacted]
	total	$ [redacted]	$ [redacted]	$ [redacted]

Source: Information Response 66 (Confidential)

B. Findings and Conclusions

Finding III-1 The allocation of shared costs to the various entities is based on the time reporting system.

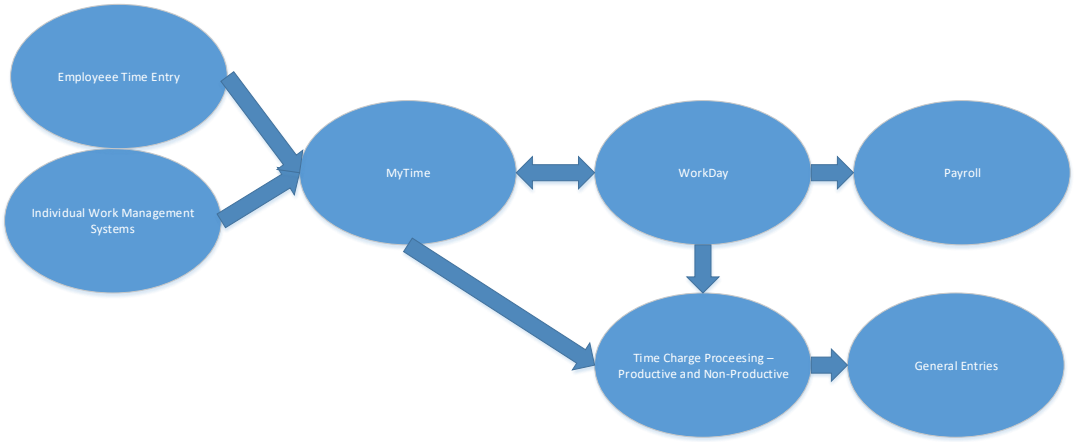
At the time of the 1935 Holding Company Act, computers were not used in the utility industry, in fact they did not exist. Without computers, there were no relational database technologies. However, the advent of computers and relational database technologies gave us the ability to capture and assign cost to an extent never possible when all utility accounting was done on a manual basis (in the 1920s and 1930s). The accounting block code determines how time reported and other costs are allocated. However, upon further examination, it is the operating unit code which really determines the allocation factor. During the time entry process, the individual must enter the proper block code (specifically the operating unit, which is actually the allocation factor) for the proper allocations to take place. Although, with proper training, this process can yield the proper accounting entries, it is different from what we have observed at other companies. In other companies, individual employees enter "task codes" which directly relate to the work being performed. These task codes are assigned allocation factors within the accounting system for the allocations to take place. Thus, the individual employees are not concerned with allocation factors when entering their time; they only focus on their specific work breakdowns in their area by picking an operating unit that determines what entity is benefiting from the work they perform. The type of work being performed is identified by the department code of the accounting code block. Although both techniques can result in the same accounting numbers, there is much more transparency available using the task code process.[210]

Finding III-2 **Duke Energy runs biweekly and monthly processes for translating time charges into monthly general ledger entries for each affiliate.**

All employees of Duke Energy and affiliates report their time worked through individual work management systems or through a software product called MyTime. There are accounting processes which collect and process these time entries to create the general ledger entries for flowing charges to individual affiliate's books. These processes are schematically shown in *Exhibit III-12*.[211]

In essence all employees have time entries in MyTime which may either be entered directly into MyTime or flow from a responsibility center work management system. These entries are passed to the WorkDay system to drive the payroll process, and the payroll dollars are passed to another system along with the time charges to generate the general ledger entries for the individual affiliates on a monthly basis as shown in *Exhibit III-12*.[212]

Exhibit III-12
Time Reporting and Monthly Processing
as of May 15, 2020



Source: Interview 14

There are two types of payroll at Duke Energy.

- Biweekly Payroll – primarily non-exempt and union personnel
- Monthly Payroll – primarily exempt personnel

Processing occurs every two weeks for the biweekly payroll with a true up on a monthly basis – primarily to properly handle non–productive time for biweekly payroll. Monthly payroll is processed on a monthly basis with the non-productive time handled monthly. If an organization has an individual work management system (like T&D operations and maintenance), time entry is made using that system and summaries submitted via MyTime. MyTime entries flow into a software system called WorkDay which calculates and generates the payroll. The payroll is converted to dollar amounts for each time entries by individual person, the non-productive time entry dollars are separated from the productive

time/dollars. Non-productive time includes such things as vacation, sick time, holidays, jury duty, training, excused absences, etc. These non-productive costs are spread across the individual responsibility centers based on the productive time charges in that responsibility center.[213]

Finding III-3 **The labor distribution processing systems result in a reasonable assignment of costs for entry into the general ledger of each of the Duke Energy companies.**

The computer systems used to perform these calculations are using relational database technologies for the processing of these record sets. We chose a smaller responsibility center to sample these calculations to determine if they were being appropriately handled. [214]

A small, two-person, responsibility center was chosen to track the dollars through the Labor Distribution process through to the assignment of costs to the Duke Energy operating companies. An Excel worksheet was provided which contained the following sheets shown in *Exhibit III-13*. We walked through the processing of the time entries that were translated into dollars from the payroll system. Unproductive time was separated and applied to the responsibility center charges in proportions to the productive direct labor charges. These dollar amounts would be summed by general ledger accounting code to create the general ledger entries to be made on a twice-a-month basis. Some of the labor charges are processed in advance of payroll checks and some after the fact – depending on whether the employee is exempt or non-exempt. Between labor charge processing various accounting pools are used to contain amounts prior to processing.[215]

Exhibit III-13
Labor Processing
as of June 2020

Tabs	Notes
Semimonthly (SM) Employee - B Hartis, Emplid 486476	
Workday Gross Pay Hartis 04.15	SM Gross Pay per Workday for each April 2020 SM period. SM employees are paid current (i.e., on the 15th and the last day of the month), which means the SM payroll is processed before time reporting is complete in MyTime. There is no accounting associated with the payments in Workday. Default accounting is assigned in the Labor Distribution System (LDS).
Workday Gross Pay Hartis 04.30	
Timesheet Hartis PED 04.15	SM time reported in MyTime for each April 2020 SM pay period.
Time Sheet Hartis PED 04.30	
Labor Detail Hartis	SM Gross Pay Distribution and SM Redistribution based on actual time reported. Source: Labor Analysis Universe, populated from Labor Distribution System (LDS)
Biweekly (BW) Employee - E Molloy, Emplid 493286	
Time Sheet Molloy PED 04.05	BW time reported in MyTime for each BW pay period paid in April 2020.
Time Sheet Molloy PED 04.19	
Payroll Result Molloy PED 04.05	Section A: Workday Payroll Input from MyTime. Section B: Workday Gross to Net with calculated BW pay
Payroll Result Molloy PED 04.19	
Labor Detail Molloy	BW Gross Pay Distribution. Source: Labor Analysis Universe, populated from Labor Distribution System (LDS)
Summ Labor, Unprod	Summary of 4/2020 Labor from Labor Detail tabs for Resp Center 8201, with split between Direct Labor and Unproductive Labor
Unproductive	General Ledger Entries: Direct Labor, Unproductive Labor Pool, Unproductive Allocation and Unproductive Allocation Offset

Source: Information Response 77

Finding III-4 Time charge processing is appropriate.

All individuals within the Duke Energy organization report how they spend their time via the MyTime system. This constitutes "Positive Time Reporting" – the requirement whereby each employee submits their time sheet each period. There are two types of labor reporting. Employees who submit their timesheets based on pre-populated labor accounting chart fields are following :"Default Labor Accounting" whereas employees who submit their timesheets by manually entering their respective accounting chart fields on each time sheet are following "Manual Labor Accounting." These time charges are converted to dollars amounts on a monthly basis to generate the general ledger entries that are incorporated in each affiliates books.[216]

This process results in a significant number of individual records, which are processed as record sets within a relational database application (primarily Oracle). Schumaker & Company consultants observed these processes by choosing a very small department and walking through the processing steps in the computer system. This processing occurs on an end-of-month basis. We did not find any issues with the processing activities.

Finding III-5 Duke's policies and procedures governing affiliate transactions are adequately documented and understood by personnel interviewed.

Review of Duke's policies and procedures supporting affiliate transactions showed them to be complete and thorough and are listed in *Exhibit III-1*. Although some were noted to be past due for review and revision, discussions with client personnel indicated that the information in the policies and procedures was still current and valid. Nothing in our document review of detail testing work was found to contradict that statement. In discussions with Duke Energy personnel, it was noted that they were familiar with the policies and how they supported affiliate transaction requirements.[217]

Finding III-6 Duke's policy and procedure documentation support the appropriate costing and transfer of resources between the Duke affiliates.

Review of Duke's Service Agreements and Cost Allocation Manual revealed that the costing of services and assets transferred among affiliates are supported by consistent rules governing those services and transfers of assets.[218]

Finding III-7 Review of Corporate Audit Services (CAS) audit reports specifically related to affiliate transactions showed no issues with significant effects or requiring an Management Action Plan.

Review of Affiliate Code of Conduct and Affiliate Property Rates audit reports showed no instances of issues with significant effects or requiring a Management Action Plan. Listings of other audits pertaining to DEC, DEP, and Piedmont were also reviewed noting no named audits that appeared to specifically target affiliate transactions.[219]

Finding III-8 **An error was found in the 2018 DEC FERC Form 1 when it was compared to 2018 Affiliate Annual Report. (See Recommendation III-1)**

During review of the Affiliate Transaction Annual Report, it came to our attention that an amount reported in the FERC Form 1 for 2018 DEC Non-Power Goods or Services Provided by Affiliated, North/South Insurance was reported as $71,060,000, while the Affiliated Transaction Annual Report, 2018, DEC Schedule 1 showed Bison Insurance Company $7,105,999.96. Upon investigation, the FERC Form 1 amount of $71,060,000 was shown to be an error and should in fact have been reported at $7,105,999.96.[220]

The error occurred as it was manually typed into the FERC Form 1 software by the DEC Accounting team as $71,060,000. The manual handoff and manual input of the FERC Form 1 amounts was the cause of the difference between the FERC Form 1 page and the NCUC affiliate filing.[221] Upon further inquiry of what could be done in the future to avoid errors such as this, a response was received that detailed the companies need to maintain books and records in accordance with the Commission's Uniform System of Accounts (USofA) and the need to maintain books and records in accordance with US GAAP and being compliant with Sarbanes Oxley (SOx) Section 404 which requires specific actions (such as financial statement risk assessment performed annually) to assure that the US GAAP books and records are free of material misstatement. The response elaborated that additional FERC processes are used to support the accuracy of the FERC form.[222] In spite of this one typo, Duke Accounting responded that the controls and processes in place supporting books and records to keep them free of material misstatements and omissions are appropriate and operating. No changes in controls or systems are being made and its appears that no additional review or reviews of the FERC Form 1 reports are to be performed due to the occurrence of the FERC Form 1 typo.[223]

Finding III-9 **Policies, procedures and practices governing affiliate transactions have not changed in the recent past, but have overdue revision dates. (See Recommendation III-2)**

As shown in *Exhibit III-1*, policies, procedures and practices governing affiliate transactions have not changed significantly for some time. However, planned revision dates are past, ranging from 2014 to March of 2020.[224] Although the policies and procedures governing affiliate transactions have not changed, the policy and procedure documentation should be formally reviewed and updated to reflect that it is current.

Finding III-10 **The decision-making process used to determine services required to identify optimal service delivery is documented in the Duke Energy Corporation policies and procedures.**

There are a number of procedures that govern the decision-making process used in the determination of services needed for DEC, DEP, and Piedmont and to describe the manner of acquisition. These policies and procedures apply to all the Duke affiliates and are established at the highest level within the Duke Corporate structure. They include Approval of Business Transactions, which outlines minimum

reviews and approvals required for transactions; Authority Limit Matrix, which provides authority limits for transactions; Delegation of Authority, which sets authority limits for routine transactions; and Purchasing Control Policy, which defines the roles, responsibilities, and requirements for the procurement process.[225]

Finding III-11 Decisions on use of internal or external resources have been based on clearly established policies and procedures and a detailed market study.

A market study was conducted in 2016 to establish actions for procuring goods and services from affiliated companies or non-public utility operations. Specifically, DEC and DEP were instructed to buy all goods and services from the lowest qualified provider for comparable goods and services, to show that comparable goods or services could not have been procured at a lower price from qualified non-affiliate sources or that neither DEC nor DEP could have provided the services or goods for itself on the same basis at a lower cost. The purpose of this market study was to provide adequate evidence of compliance with Regulation Condition 5.2 and the Vantage Audit Recommendation III-R1 and to determine which DEBS services could be outsourced and performed in a more cost-effective manner.[226]

The Compensation Ongoing Review & Evaluation (CORE) process was used to compare market salary competitiveness to Duke's compensation salary bands. This process was used as part of the cost/benefit analysis comparing the cost of outsourced services vs inside services and will be performed across the enterprise by the HR Compensation Department on a revolving three-year schedule.[227]

Finding III-12 There are some natural gas supply transactions that occur between Duke Energy Carolinas and Piedmont Natural Gas.

Duke Energy Carolina operates several natural gas generating stations. Duke Energy Carolinas also manages the natural gas supplies for Duke Energy Progress which also operates several natural gas generating facilities. All natural gas is typically bought and sold at the Transco Zone 5 South locations where both Duke Energy Carolinas and Duke Energy Progress have transportation to their end point user (a natural gas generating facility). These transactions have amounted to less than $1 million in each of the years 2017, 2018, and 2019. Considering that Piedmont's aggregate natural gas supply costs are typically around $1.5 billion annually, the Duke Energy portion is a very small part of gas supply costs. None the less, we investigated how these transactions have come about:[228]

- Almost all of the transactions originated on ICE (a third party energy trading platform). There was one transaction for natural gas that occurred via a bilateral contract between both companies (Duke Energy Carolinas and Piedmont) in 2017, but otherwise all transactions occurred via ICE during 2017, 2018, and 2019.
- Pricing was determined by the ask and bid process on ICE or through a published index such as Transco Z5 South GD +/- a negotiated adder (i.e. + 0.07).
- There is a standing contract between the parties which spells out all of the terms and conditions for the transactions.
- All pricing occurred at the Transco Z5 S Zone.

All of these transactions are reasonable.[229]

Finding III-13 There are capacity and energy transactions that occur between Duke Energy affiliates that are reasonable.

Duke Energy operates a jointly managed power trading desk and unit commitment function but dispatching for DEC and DEP is done separately. Both Duke Energy Progress and Duke Energy Carolinas have native generation facilities that are dispatched to meet their daily loads and reserve margins. As with any electrical generating system, in some instances it is cheaper to buy power from a neighboring utility that it is to self-generate the power. In that Duke Energy Carolinas and Duke Energy Progress are neighboring utilities there are transactions that occur between them based on economics. This results in a power transaction which could be for either capacity or energy.[230]

Capacity

Duke Energy has established an As-Available Capacity Sales Agreement between Duke Energy Carolinas and Duke Energy Progress which permits the sale of short term capacity between the entities. This agreement has been vetted with FERC and the NCUC. The As-Available Capacity Sales Agreement ("the Agreement") does not bundle capacity and energy. Capacity and any associated energy pricing are defined in their respective agreements and are not negotiated. Capacity transaction pricing is governed by Section 4.4 of the Agreement and is fixed for a given period based on the results of the PJM Reliability Pricing Model Base Residual Auction results in the RTO Locational Delivery Area for each Delivery Year. In essence the pricing is determined by a third party market.[231]

Energy

Firm energy is delivered under the Joint Dispatch Agreement in support of the capacity transaction only if required to meet operational requirements in real time. Firm Energy is priced based on the actual Duke Energy system costs to serve the energy sale and is governed by the approved protocol used for pricing the regularly occurring non-firm intra-company energy transfer under the Joint Dispatch Agreement.[232]

Schumaker & Company consultants reviewed the transactions that have occurred over the last three years and found them reasonable. The As Available Capacity transactions only occurred in 2019 (as the agreement was not finalized until late 2018), and they only amounted to slightly over $200K in a $1.2 billion energy supply cost for each entity for both capacity and energy. These are important but relatively small transactions in the larger scheme of things. We find these transactions reasonable.[233]

C. Recommendations

Recommendation III-1 **Review FERC Form 1 reporting to determine how common typos are in the process of creating the FERC Form 1. (Refer to Finding III-8.)**

The process to create the FERC Form 1 involves a step whereby data is manually typed into FERC Form 1 software. This manual step led to an error in the 2018 DEC FERC Form 1. This one error does not appear to a material misstatement by itself, but it leads to a question regarding the existence of other instances of mis-typed data that could be material in the FERC Form 1.

The situation that allowed this one error to occur should be reviewed and determined if the same situation existed for other manually input data. If other such situations do exist, that data should be reviewed for any other misstatements and a determination of materiality made to ascertain the impact on the FERC Form 1 report.

Recommendation III-2 **Review and update policies and procedures to clearly show they are current documents. (Refer to Finding III-9.)**

Policies and procedures governing assignment practices and affiliate transactions are still accurate for these events and activities at Duke Energy. However, the documents themselves show revision dates that are overdue in all cases, excluding the service agreements. These should be reviewed and formally revised to clearly show they reflect the current processes at Duke Energy.

IV. Capital Allocation among Subsidiaries

A. Background and Perspective

Introduction

In this chapter we analyzed transactions among Duke Energy Carolina (DEC), Duke Energy Progress (DEP), and Piedmont Natural Gas Company (Piedmont) and their affiliates, including their parent, Duke Energy Corporation (Duke Energy) from a financial and capital perspective. Specifically, we:[234]

- Identified and described how capital is allocated among all the holding company or affiliates units and reviewed any associated policies and documented procedures.
- Identified and examined how Duke Energy companies' needs for capital were evaluated relative to the other the holding company or affiliates' regulated subsidiaries and the holding company or affiliates' unregulated subsidiaries.
- We examined whether DEC's, DEP's, and Piedmont's allocations of the holding company or affiliates' capital investment were appropriate and evaluated the extent to which the financial strength of DEC, DEP, and Piedmont was impacted by their regulated or unregulated affiliated companies.

We reviewed the long-term debt of these three companies as well as their relationship with the credit markets and rating agencies. We evaluated short-term debt availability including money pool operations, the common credit facility, and access to the commercial paper market. We reviewed dividend payouts and capital structures and the financial forecasting process.[235]

Financing Activity

Duke Energy has a policy covering financing activity and financial risk management under the responsibility of the Corporate Treasury department. The stated objective of financial and financial risk management activities is to provide enterprise-wide services enhancing the ability of all Duke companies to increase revenue, reduce costs, and manage risk by:[236]

- Optimizing capitalization
- Optimizing liquidity
- Balancing cost of capital and liquidity while optimizing maturity profile, consistent with overall risk management goals
- Managing and monitoring long-term debt
- Optimizing credit ratios to maintain desired credit ratings

- Managing and monitoring interest rate risk exposure
- Structuring commercial renewable and transmission project financings to minimize risk
- Forecasting enterprise financing needs and activity, including cash flows, in coordination with Forecasting, Planning, and Analysis
- Reporting on corporate and enterprise-wide treasury accountabilities
- Overseeing transaction review, including the establishment of the cost of capital, as well as providing cost of capital guidance

Long Term Debt

At the end of 2019, the Duke Energy companies had $58 billion in long-term debt, with DEC responsible for 20.5% of the total debt, DEP responsible for 15.6% of the total debt, and Piedmont responsible for 4.1% of the total debt. Of DEC's debt balance of $11.9 billion, over 80% is made up of taxable First Mortgage Bonds. Likewise, over 80% of DEP's long-term debt of $9.1 billion consist of taxable First Mortgage Bonds. All of Piedmont's $2.4 billion of long-term debt consist of unsecured notes.[237] DEC, DEP, and Piedmont are each financed separately. The Duke Energy Corporation's financing is a derivative of the utilities' financing activities.[238] The long-term debt balances for all of Duke Energy's entities as of December 31, 2019 are shown in *Exhibit IV-1*.[239]

Exhibit IV-1
Duke Energy Long-Term Debt
as of December 31, 2019
($000)

Entity	Balance ($000)	% of Total
Duke Energy Carolinas	11,900,668	20.5%
Duke Energy Progress	9,058,170	15.6%
Piedmont Natural Gas	2,384,394	4.1%
Duke Energy Corporation (Holding Company)	13,654,304	23.5%
Progress Energy, Inc. (Holding Company)	2,589,081	4.5%
Duke Energy Florida (DEF)	7,987,186	13.7%
Duke Energy Indiana (DEI)	4,056,775	7.0%
Duke Energy Ohio (DEO)	1,960,565	3.4%
Duke Energy Kentucky (DEK)	658,807	1.1%
Duke Energy Business Services (DEBS)	136,494	0.2%
Commercial Portfolio	1,702,692	2.9%
Cinergy Receivables Company	349,808	0.6%
Purchase Accounting Adjustments	1,911,806	3.3%
Intercompany Eliminations	(224,657)	-0.4%
Total Long-Term Debt (incl. Current Maturities)	**58,126,092**	**100.0%**

Source: https://www.duke-energy.com/our-company/investors/fixed-income-investors "Long-term Debt Details"

Duke Energy's long-term debt includes $625 million of Commercial Paper debt that is classified as long-term debt on the Consolidated Balance Sheets due to the existence of long-term credit facilities that backstop these commercial paper balances, along with Duke Energy's ability and intent to refinance these balances on a long-term basis.[240] DEC and DEP have $300 million and $150 million respectively of this $625 million of Commercial Paper on their balance sheets. The Commercial Paper balances have been considered long-term debt in accordance with existing generally accepted accounting principles (GAAP) for the past several years. Regulatory reporting has followed GAAP and, as such, related amounts have been reported as long-term debt on related schedules. The most recent North Carolina Rate cases orders under Docket E-7 Sub 1146 (DEC) and Docket E-2 Sub 1142 (DEP) also provided for the classification of these balances as long-term debt consistent with GAAP.[241]

Although included in the long-term debt balances for both DEC and DEP, the daily transactions involving the borrowing of these Commercial Paper funds from Duke Energy Corporation ($300 million for DEC and $150 million for DEP) are shown as Money Pool transactions over the past five years for each company at interest rates ranging from .4215% to 2.8179% for DEC and from .4305% to

2.8179% for DEP.[242] Only Duke Energy Corporation has a Commercial Paper program, and therefore, DEC's $300 million and DEP's $150 million in Commercial Paper that is treated as long-term debt is transferred to and from Duke Energy Corporation on a daily basis via the Money Pool.[243]

The long-term debt issues for DEC, DEP, and Piedmont as of the end of 2019 are shown in *Exhibit IV-2*, *Exhibit IV-3*, and *Exhibit IV-4*.[244]

Exhibit IV-2
DEC Long-term Debt
as of December 31, 2019

No.	Description	Balance	Rate	Type
1	First Mortgage Bond Taxable	8,317,678	8.950%	Fixed
2	First Mortgage Bond Taxable	500,000,000	6.000%	Fixed
3	First Mortgage Bond Taxable	600,000,000	6.050%	Fixed
4	First Mortgage Bond Taxable	750,000,000	5.300%	Fixed
5	First Mortgage Bond Taxable	450,000,000	4.300%	Fixed
6	First Mortgage Bond Taxable	500,000,000	3.900%	Fixed
7	First Mortgage Bond Taxable	650,000,000	4.250%	Fixed
8	First Mortgage Bond Taxable	650,000,000	4.000%	Fixed
9	First Mortgage Bond Taxable	500,000,000	3.750%	Fixed
10	First Mortgage Bond Taxable	500,000,000	2.500%	Fixed
11	First Mortgage Bond Taxable	500,000,000	3.875%	Fixed
12	First Mortgage Bond Taxable	600,000,000	2.950%	Fixed
13	First Mortgage Bond Taxable	550,000,000	3.700%	Fixed
14	First Mortgage Bond Taxable	500,000,000	3.950%	Fixed
15	First Mortgage Bond Taxable	500,000,000	3.050%	Fixed
16	First Mortgage Bond Taxable	350,000,000	3.350%	Fixed
17	First Mortgage Bond Taxable	650,000,000	3.950%	Fixed
18	First Mortgage Bond Taxable	350,000,000	3.200%	Fixed
19	First Mortgage Bond Taxable	450,000,000	2.450%	Fixed
20	Other PCB bkd by FMB	50,000,000	4.625%	Fixed
21	Other PCB bkd by FMB	50,000,000	4.625%	Fixed
22	Other PCB bkd by FMB	71,595,000	4.375%	Fixed
23	Other PCB bkd by FMB	71,605,000	4.375%	Fixed
24	Secured - Accounts Receivable Securitization	290,277,778	2.617%	Floating
25	Secured - Accounts Receivable Securitization	184,722,222	2.632%	Floating
26	Unsecured	300,000,000	6.000%	Fixed
27	Unsecured	350,000,000	6.450%	Fixed
28	Unsecured	500,000,000	6.100%	Fixed
29	Commercial Paper LTD	300,000,000	1.917%	Floating
30	Bond Lease-Backed CTL - Charlotte Metro	68,695,987	3.664%	Fixed
31	Finance Lease - Belews Creek PNG Pipeline	68,827,910	10.353%	Fixed
32	Finance Lease - Buck Pipeline	4,332,400	12.132%	Fixed
33	Finance Lease - Clemson FHNGA Pipeline	3,784,218	4.074%	Fixed
34	Finance Lease - Cliffside PSNC Pipeline	54,105,051	11.980%	Fixed
35	Finance Lease - Dan River - Pipeline	6,357,952	16.791%	Fixed
36	Finance Lease - Dan River - Water Heaters	1,808,800	10.446%	Fixed
37	Finance Lease - Lee CC	40,235,179	13.550%	Fixed
	Total	11,974,665,175		

Source: https://www.duke-energy.com/our-company/investors/fixed-income-investors "Long-term Debt Details"

Exhibit IV-3
DEP Long-term Debt
as of December 31, 2019

No.	Debt Description	Balance	Rate	Type
1	First Mortgage Bond Taxable	100,000,000	8.625%	Fixed
2	First Mortgage Bond Taxable	200,000,000	6.125%	Fixed
3	First Mortgage Bond Taxable	200,000,000	5.700%	Fixed
4	First Mortgage Bond Taxable	325,000,000	6.300%	Fixed
5	First Mortgage Bond Taxable - swap	500,000,000	3.000%	Fixed
6	First Mortgage Bond Taxable	500,000,000	2.800%	Fixed
7	First Mortgage Bond Taxable	500,000,000	4.100%	Fixed
8	First Mortgage Bond Taxable	500,000,000	4.100%	Fixed
9	First Mortgage Bond Taxable	400,000,000	4.375%	Fixed
10	First Mortgage Bond Taxable	500,000,000	4.150%	Fixed
11	First Mortgage Bond Taxable	500,000,000	3.250%	Fixed
12	First Mortgage Bond Taxable	700,000,000	4.200%	Fixed
13	First Mortgage Bond Taxable	450,000,000	3.700%	Fixed
14	First Mortgage Bond Taxable	300,000,000	2.065%	Floating
15	First Mortgage Bond Taxable	500,000,000	3.600%	Fixed
16	First Mortgage Bond Taxable	300,000,000	3.375%	Fixed
17	First Mortgage Bond Taxable	500,000,000	3.700%	Fixed
18	First Mortgage Bond Taxable	600,000,000	3.450%	Fixed
19	Pollution Control Bond backed by FMB	48,485,000	4.000%	Fixed
20	Secured - Accounts Receivable Securitization	195,000,000	2.639%	Floating
21	Secured - Accounts Receivable Securitization	130,000,000	2.638%	Floating
22	Unsecured - Term Loan	700,000,000	2.510%	Floating
23	Commercial Paper LTD	150,000,000	1.917%	Floating
24	LGIA - Friesian Holdings, LLC	10,000,000	5.420%	Floating
25	Finance Lease - Harris E&E Center	1,831,660	8.915%	Fixed
26	Finance Lease - PEB Building	10,233,429	8.500%	Fixed
27	Finance Lease - PNG Transport Wayne Pipeline Pipeline	103,094,294	13.948%	Fixed
28	Finance Lease - NCEMC	18,135,379	8.443%	Fixed
29	Finance Lease - Asheville CC Pipeline	173,296,621	12.336%	Fixed
	Total	9,115,076,383		

Source: https://www.duke-energy.com/our-company/investors/fixed-income-investors "Long-term Debt Details"

Exhibit IV-4
Piedmont Long-term Debt
as of December 31, 2019

No.	Debt Description	Balance	Rate	Type
1	Unsecured	160,000,000	4.240%	Fixed
2	Unsecured	100,000,000	3.470%	Fixed
3	Unsecured	200,000,000	3.570%	Fixed
4	Unsecured	45,000,000	6.870%	Fixed
5	Unsecured	40,000,000	8.450%	Fixed
6	Unsecured	55,000,000	7.400%	Fixed
7	Unsecured	40,000,000	7.500%	Fixed
8	Unsecured	60,000,000	7.950%	Fixed
9	Unsecured	100,000,000	6.000%	Fixed
10	Unsecured	300,000,000	4.650%	Fixed
11	Unsecured	150,000,000	3.600%	Fixed
12	Unsecured	250,000,000	4.100%	Fixed
13	Unsecured	300,000,000	3.640%	Fixed
14	Unsecured	600,000,000	3.500%	Fixed
	Total	2,400,000,000		

Source: https://www.duke-energy.com/our-company/investors/fixed-income-investors "Long-term Debt Details"

Credit Ratings

DEC, DEP, and Piedmont were rated by Moody's Investor Service (Moody's) and by Standard & Poor's (S&P) for the period from 2015 through 2019. As *Exhibit IV-2, Exhibit IV-3,* and *Exhibit IV-4* display, the ratings given all three companies have been fairly static, with a slight rating decrease (Aa2 to Aa3 and A1 to A2 for DEP in 2016 from Moody's and a slight decrease for Piedmont in 2016 (A to A-) from S&P and in 2018 (A2 to A3) from Moody's.[245]

All three companies were considered to have low business and operating risk and supportive regulatory jurisdictions. The benefits of scale and the potential for operating efficiencies from being part of the Duke Energy family of companies was also recognized as a strength. All three companies received a stable outlook rating in the belief that each will continue to receive supportive regulatory treatment and credit metrics will continue to improve. DEC and DEP were expected to be able to recover the majority of their coal ash closure and remediation costs and continue to have their large capital expenditure programs managed effectively.[246] The credit ratings for DEC, DEP, and Piedmont for the five year period (2015 through 2019) are shown in *Exhibit IV-5*.[247]

Exhibit IV-5
Duke Energy Credit Ratings
as of December 31, 2019

Duke Energy Company	Credit Rating Agency	Rating Type	2015	2016	2017	2018	2019
DEC							
	Moody's						
		Senior Secured	Aa2	Aa2	Aa2	Aa2	Aa2
		Senior Unsecured	A1	A1	A1	A1	A1
	S&P						
		Senior Secured	A	A	A	A	A
		Senior Unsecured	A-	A-	A-	A-	A-
DEP							
	Moody's						
		Senior Secured	Aa2	Aa3	Aa3	Aa3	Aa3
		Corporate Credit Rating	A1	A2	A2	A2	A2
	S&P						
		Senior Secured	A	A	A	A	A
		Corporate Credit Rating	A-	A-	A-	A-	A-
Piedmont							
	Moody's						
		Senior Unsecured	A2	A2	A2	A3	A3
	S&P						
		Senior Unsecured	A	A-	A-	A-	A-

Source: Information Response 30

Duke Energy and its utility companies try to keep credit ratios and metrics at levels that will allow them to maintain their credit ratings from Standard & Poor's and Moody's. The Duke financial management, which manages the financial operation of the Duke utilities will consult with rating agencies and are guided by their dictates in the rating agencies' analysis reports of the Duke utilities. The credit rating agencies look at the cash flow of the utility companies compared to their debt burden. DEC and DEP are similar, fully integrated utilities. DEC has had a credit rating one notch higher than DEP since the merger of the two companies. Piedmont is an LDC with no nuclear component and is a smaller company than the other two and is rated differently.[248]

Short-Term Debt

The short-term debt needs of the Duke utility companies are met through participation in the Commercial Paper market and a Credit Facility. Dissemination of short-term funds to DEC, DEP, and Piedmont are handled through the Duke Money Pool.

Money Pool

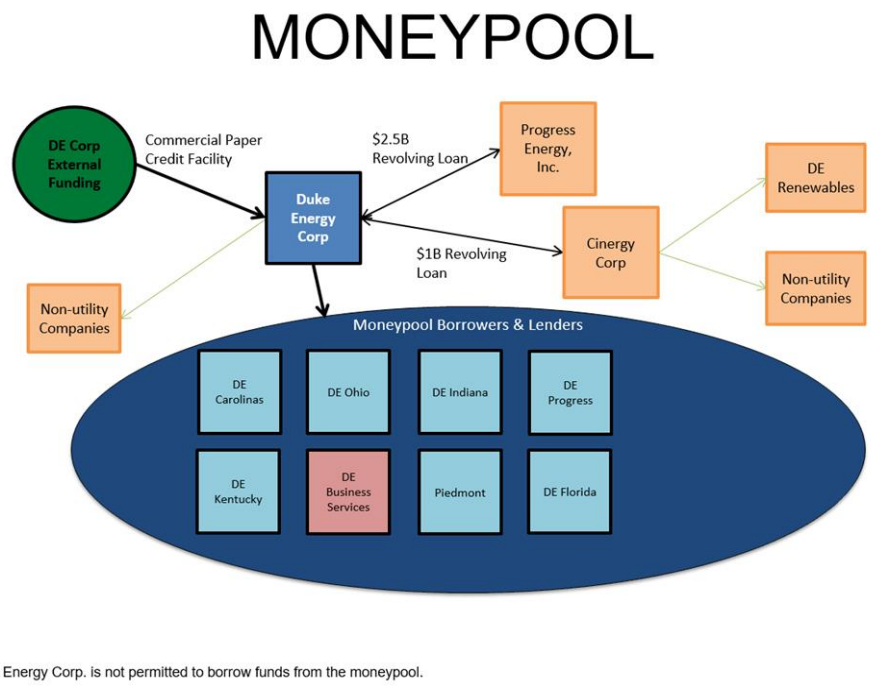
The Utility Money Pool (Money Pool) Agreement is a short-term borrowing and lending arrangement among Duke Energy, Cinergy Corporation (Cinergy), Progress Energy, Inc. (Progress Energy), DEBS, and all of Duke's utility operating companies, including DEC, DEP, and Piedmont. Under this arrangement, those companies with surplus short-term funds may provide short-term loans to affiliates

participating under this arrangement. Participants, excluding Progress Energy, separately manage their cash needs and working capital requirements. There is no net settlement of receivables and payables between money pool participants. Since the money pool activity is between Duke Energy and its wholly owned subsidiaries, all money pool balances are eliminated within Duke Energy's Consolidated Balance Sheets.[249]

The Money Pool provides the means to borrow and invest short-term for the utility companies and DEBS, usually at an A-1/P-1 or tier 1 commercial paper rate. The borrowing rate is generally better than the rate that the utilities could receive in the external market, and the lending rate is generally better than the rate that could be earned in an external market. Borrowing and lending is governed by the Money Pool Agreement.[250]

DEC, DEP, Piedmont, DEF, DEK, DEO, DEI, and DEBS can lend and borrow funds from the other Money Pool participants. Duke Energy, Cinergy, and Progress Energy can lend money to other Money Pool participants but cannot borrow funds through the Money Pool.[251] *Exhibit IV-6* displays the operation of the Duke Money Pool.[252]

Exhibit IV-6
Duke Money Pool
as of December 31, 2019



Source: Information Response 22

Money Pool general procedures are as follows:[253]

- First look to internal funds to satisfy the participant's needs starting within the circle, above.
- Look to Duke Energy to satisfy any remaining participant's needs. Funds may come from internal cash on hand and/or from external borrowing sources.
- Funds are lent on a pro rata basis. Interest is charged at rates as outlined in the agreement.
- Loans mature and settle, with interest, daily.
- Participants directly invest any remaining surplus funds in accordance with approved investment guidelines.
- Accounting entries are posted to the general ledger monthly.

The participants in the Money Pool are shown in *Exhibit IV-7*.[254]

Exhibit IV-7
Duke Energy Money Pool Participants
as of December 31, 2019

No.	Participant	State of Registration	Relationship	Money Pool Rights	
				Lend	Borrow
1	Duke Energy	Delaware	Parent	X	
2	Cinergy	Delaware	Sub of Duke Energy	X	
3	Progress Energy	North Carolina	Sub of Duke Energy	X	
4	DEC	North Carolina	Sub of Duke Energy	X	X
5	DEP	North Carolina	Sub of Progress Energy	X	X
6	Piedmont	North Carolina	Sub of Duke Energy	X	X
7	DEK	Kentucky	Sub of Duke Energy Ohio	X	X
8	DEO	Ohio	Sub of Cinergy	X	X
9	DEI	Indiana	Sub of Cinergy	X	X
10	DEF	Florida	Sub of Progress Energy	X	X
11	DEBS	Delaware	Sub of Duke Energy	X	X

Source: Information Response 28

Funds are available for Money Pool participants from the following sources:[255]

- *Surplus funds* – from the treasuries of Money Pool participants
  - From DEBS, DEF, DEI, DEK, DEO, DEP, and Piedmont
  - From Duke Energy, Cinergy, and Progress Energy
- *External funds* – proceeds from borrowings by participants, including the sale of commercial paper by Duke Energy, Progress Energy, Cinergy, DEC, DEI, DEO, DEK, DEP, DEF, and Piedmont.

These funds will be made available in a manner to result in the lowest possible cost of borrowing, consistent with individual borrowing needs and financial standing of the parties providing funds, as determined by DEBS, as administrator of the Money Pool.[256]

Interest accrues monthly on all borrowings from the Money Pool. If the source of the borrowed funds is internal, i.e., come from other participating Money Pool companies, the interest rate is the CD yield equivalent of the 30-day Federal Reserve AA industrial commercial paper composite rate. If the composite rate is not available, then the composite rate from the previous day for which a composite rate was established is used. If the source of funds is external, the interest rate is equal to the lending party's cost of acquiring the funds. This can be a composite rate (weighted average of cost incurred by all parties involved) if the funds come from several lending sources. If the borrowed funds come from a combination of internal and external sources, the interest rate charged is also a composite or blended rate. In all cases, the rate charged is to be the Money Pool's cost of the money borrowed and is expected to result in a lower cost of borrowing. There is no fee added to the rate charged.[257]

Borrowers can borrow pro rata from each lending party in the proportion that the total amount loaned by the lenders bears to the total amount then loaned through the Money Pool. On any day when more than one fund source, with different rates of interest, is used to fund loans through the Money Pool, each borrowing party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Money Pool.[258]

Each loan must be authorized by the lending party's chief financial officer or treasurer, or by a designee thereof. No participant is required to borrow funds through the Money Pool if the participant determines that it can (and is authorized to) borrow funds at lower cost from other sources, including but not limited to directly from banks or through the sale of its own commercial paper.[259]

During the five-year period from 2015 through 2019, DEC and DEP lent funds and borrowed funds through the Money Pool. Piedmont lent funds through the Money Pool during 2018 and 2019 and borrowed funds through the Money Pool from 2017 through 2019.[260]

DEC lent funds through the Money Pool during the five-year period, 2015 through 2019, to seven Money Pool participants – all the other Duke utilities plus DEBS. Interest earned from these transactions ranged from a low of $721,839 in 2018 to a high of $1,411,420 in 2016. The weighted average annual interest rate charged to these borrowing participants ranged from a low of .19% in 2015 to a high of 1.90% in 2019. The interest earned from DEC lending funds through the Money Pool as well as the interest rates charged to the borrowing participants are shown in *Exhibit IV-8*.[261]

Exhibit IV-8
Interest Earned on Money Pool Funds Lent by DEC
as of December 31, 2019

	Years Ended December 31									
	2015		2016		2017		2018		2019	
Borrower	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]
DEBS	892,175	0.19%	492,462	0.39%	373,867	1.13%	369,771	1.86%	346,139	1.91%
DEF	158,919	0.21%	820,524	0.38%	30,435	0.83%			160,510	1.93%
DEI	12,214	0.18%	4,210	0.37%			85,015	1.86%	37,747	2.04%
DEK	9,407	0.22%	1,578	0.50%	1,286	0.63%	12,452	2.09%	36,576	1.93%
DEO	32,528	0.21%	7,265	0.37%	2,381	1.41%	38,969	2.12%	96,750	1.88%
DEP	72,979	0.19%	85,381	0.37%	50,886	1.28%	137,646	1.72%	3,481	1.66%
Piedmont					311,194	1.24%	77,986	1.75%	181,764	1.83%
Totals	**1,178,223**	**0.19%**	**1,411,420**	**0.38%**	**770,050**	**1.16%**	**721,839**	**1.83%**	**862,967**	**1.90%**

Note: [1] Weighted Average Annual Interest Rate

Source: Information Response 76-002

During this same five-year period DEC borrowed funds through the Money Pool from nine other Money Pool participants - the other Duke Energy utilities plus the Progress Energy Service Company and Duke Energy. The interest paid by DEC for these Money Pool loans was significantly greater than the interest earned on funds lent through the Money Pool, ranging from a low of $1.6 million in 2015 to a high of $18.3 million paid in 2019. Most of the interest paid was to Duke Energy for $300 million in Commercial Paper funds borrowed on a daily basis. As noted in the Long-term Debt section of this report, this Commercial Paper is considered a long-term debt on the books of DEC. The interest expense from DEC borrowing funds through the Money Pool as well as the interest rates charged to DEC are shown in *Exhibit IV-9*.[262]

Exhibit IV-9
Interest Expense for Money Pool Funds Borrowed by DEC
2015 through 2019

	Years Ended December 31									
	2015		2016		2017		2018		2019	
Lender	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]
DEBS					11	0.64%				
DEF					473,913	0.92%	1,632,832	0.87%	7,536	2.29%
DEI					127,292	0.87%			1,447	2.43%
DEK					35,802	1.12%	3,442	1.12%	339	1.97%
DEO	59	0.16%			160,283	0.91%	16,565	1.59%	857,474	2.43%
DEP					115,706	0.91%	275,224	2.03%	86,942	2.40%
Piedmont							104,342	1.96%	6,847	2.29%
PE Service Co.	87	0.16%								
Duke Energy Corp.	1,625,086	0.53%	2,645,919	0.87%	5,770,221	1.31%	14,214,889	2.21%	17,311,211	2.56%
Totals	1,625,232	0.53%	2,645,919	0.87%	6,683,229	1.24%	16,247,293	2.17%	18,271,796	2.56%
Note: [1] Weighted Average Annual Interest Rate										

Source: Information Response 29-002

DEP lent funds through the Money Pool during the five-year period, 2015 through 2019, to seven Money Pool participants – all the other Duke electric utilities, Piedmont, plus DEBS. Interest earned from these transactions ranged from a low of $137,160 in 2016 to a high of $855,833 in 2017. The weighted average annual interest rate charged to these borrowing participants ranged from a low of .21% in 2015 to a high of 2.12% in 2019. The interest DEP earned by lending funds through the Money Pool as well as the interest rates charged to the borrowing participants are shown in *Exhibit IV-10.*[263]

Exhibit IV-10
Interest Earned on Money Pool Funds Lent by DEP
as of December 31, 2019

	Years Ended December 31									
	2015		2016		2017		2018		2019	
Borrower	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]
DEBS	226,816	0.21%	82,981	0.44%	364,757	0.97%	257,535	2.02%	185,144	2.08%
DEC					231,413	1.09%	275,224	2.03%	86,942	2.40%
DEF	59,825	0.23%	52,956	0.49%	29,950	0.64%			91,361	2.12%
DEI	655	0.15%			671	1.14%	68,169	2.03%	21,434	2.25%
DEK	4,858	0.21%	1,223	0.56%	2,683	0.63%	39,585	2.01%	13,618	2.11%
DEO	18,935	0.21%			4	1.12%	62,346	2.02%	24,490	1.89%
Piedmont					226,355	1.12%	5,689	2.01%	66,354	1.98%
Totals	**311,090**	**0.21%**	**137,160**	**0.46%**	**855,833**	**1.02%**	**708,548**	**2.02%**	**489,342**	**2.12%**

Note: [1] Weighted Average Annual Interest Rate

Source: Information Response 76-003

DEP borrowed funds through the Money Pool from nine other Money Pool participants - the other Duke Energy utilities plus the Progress Energy Service Company and Duke Energy. The interest paid by DEP for these Money Pool loans was significantly greater than the interest earned on funds lent through the Money Pool, ranging from a low of $299,640 in 2015 to a high of $8,683,856 paid in 2018. Most of the interest paid was to Duke Energy for $150 million in Commercial Paper funds borrowed on a daily basis. As noted in the Long-term Debt section of this report, this Commercial Paper is considered a long-term debt on the books of DEP. The interest expense from DEP borrowing funds through the Money Pool as well as the interest rates charged to DEP are shown in *Exhibit IV-11.*[264]

Exhibit IV-11
Interest Expense for Money Pool Funds Borrowed by DEP
2015 through 2019

	Years Ended December 31									
	2015		2016		2017		2018		2019	
Lender	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]
DEBS			101		8	0.64%				
DEF			936	0.43%	610,218	0.99%	690,550	1.80%	25,102	1.76%
DEI	3,806	0.21%	29,407	0.37%	173,649	0.94%			8,587	1.86%
DEK	614	0.18%	5,570	0.37%	5,701	1.22%	3,383	1.45%	1,224	1.98%
DEO	3,728	0.18%	7,407	0.39%	115,795	0.83%	13,574	1.64%	680,422	2.43%
DEC	72,979	0.19%	85,381	0.37%	25,443	1.28%	137,646	1.72%	3,481	1.66%
Piedmont							54,387	1.93%	296	2.29%
PE Service Co.	19,775	0.35%								
Duke Energy Corp.	198,739	0.20%	1,760,246	0.87%	4,608,866	1.32%	7,784,316	2.22%	6,731,262	2.55%
Totals	299,640	0.35%	1,889,048	0.80%	5,539,681	1.25%	8,683,856	2.17%	7,450,374	2.53%

Note: [1] Weighted Average Annual Interest Rate

Source: Information Response 29-003

Piedmont lent funds through the Money Pool during 2018 and 2019, to seven Money Pool participants – all the other Duke electric utilities, plus DEBS. Interest earned from these transactions ranged included $300,590 in 2018 and $19,244 in 2019. The weighted average annual interest rate charged to these borrowing participants was 1.95% in 2018 and 2.29% in 2019. The interest Piedmont earned by lending funds through the Money Pool as well as the interest rates charged to the borrowing participants are shown in *Exhibit IV-12.*[265]

Exhibit IV-12
Money Pool Funds Lent by Piedmont
as of December 31, 2019

	Years Ended December 31			
	2018		2019	
Borrower	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]
DEBS	77,428	1.96%	5,292	2.29%
DEC	104,342	1.96%	6,847	2.29%
DEF	9,813	1.94%	4,025	2.29%
DEI	26,874	1.96%	1,200	2.29%
DEK	12,743	1.96%	688	2.29%
DEO	15,003	1.97%	897	2.29%
DEP	54,387	1.93%	296	2.29%
Totals	**300,590**	**1.95%**	**19,244**	**2.29%**

Note: [1] Weighted Average Annual Interest Rate

Source: Information Response 76-004

Piedmont borrowed funds through the Money Pool from nine other Money Pool participants - all the other Duke Energy utilities plus the Progress Energy Service Company and Duke Energy Corporation from 2017 through 2019. The interest paid by Piedmont for these Money Pool loans was significantly greater than the interest earned on funds lent through the Money Pool, ranging from a low of $1,709,233 in 2018 to a high of $4,879,605 paid in 2019. Most of the interest paid was to Duke Energy. The interest expense from Piedmont borrowing funds through the Money Pool as well as the interest rates charged to Piedmont are shown in *Exhibit IV-13*.[266]

Exhibit IV-13
Money Pool Funds Borrowed by Piedmont
2015 through 2019

	Years Ended December 31					
	2017		2018		2019	
Lender	Interest ($)	Interest Rate₁	Interest ($)	Interest Rate₁	Interest ($)	Interest Rate₁
DEC	**155,597**	**1.24%**	**77,986**	**1.75%**	**181,764**	**1.75%**
DEBS						
DEF	438,575	1.12%	261,325	1.67%	197,862	1.65%
DEI	103,512	1.08%			136,384	1.75%
DEK	55,479	1.17%	4,139	1.43%	5,147	1.98%
DEO	120,238	1.01%	6,734	1.53%	288,436	2.43%
DEP	113,177	1.12%	5,689	2.01%	66,354	1.98%
PE Service Co.						
Duke Energy Corp.	1,370,579	1.44%	1,353,360	2.07%	4,003,658	2.31%
Totals	2,357,157	1.29%	1,709,233	1.97%	4,879,605	2.23%
Note: ₁ Weighted Average Annual Interest Rate						

Source: Information Response 29-004

Cash-On-Hand

The utilities companies, as a group, will maintain $100 to $120 million as a minimum cash-on-hand balance. Cash-on-hand is necessary in case the utility does not have access to the Money Pool or, if Duke Energy does not have access to the Commercial Paper market. This minimum cash balance amount can be adjusted based on circumstances, such as the recent COVID-19 effect on liquidity in the country, threatening the Commercial Paper market.[267]

Duke Energy's Treasury Department has the responsibility to ensure that cash assets are properly safe-guarded, managed to maximize value within approved investment parameters, available to Corporate Treasury on a timely basis to fund general corporate needs, not left idle and under-utilized, and not unnecessarily exposed to the claims of lenders, other creditors, or unacceptable short-term cash investment risks.[268]

Credit Facility

DEC, DEP, and Piedmont are participants in a Master Credit Facility, or credit agreement, along with Duke Energy, DEO, DEI, and DEF. This credit facility provides access to an $8 billion line of credit funded by an international group of 252 banks. Each company has a maximum sublimit that can be borrowed through this credit facility. The maximum borrowing sublimit for each individual Duke Energy company is shown in *Exhibit IV-14.*[269]

Exhibit IV-14
Duke Energy Credit Facility Borrowing Limits
as of December 31, 2019

Company	Maximum Sublimit ($)
Duke Energy Carolinas	1,500,000,000
Duke Energy Progress	1,250,000,000
Piedmont Natural Gas	600,000,000
Duke Energy Corporation	2,650,000,000
Duke Energy Florida	800,000,000
Duke Energy Indiana	600,000,000
Duke Energy Ohio	600,000,000
TOTAL	**8,000,000,000**

Source: Duke Energy Web Site, Credit Facility

The 25 lending banks and their commitment limits to the credit agreement are shown in *Exhibit IV-15.*[270]

Exhibit IV-15
Duke Energy Credit Facility Participants
as of December 31, 2019

Bank	Participation	
	Position in Agreement	Commitments ($)
Wells Fargo Bank, National Association	Administrative Agent, Swingline Lender, Issuing Lender, and Lender	400,000,000
Bank of America, N.A.	Issuing Lender and Lender	400,000,000
Bank of China, New York Branch	Issuing Lender and Lender	400,000,000
Barclays Bank PLC	Issuing Lender and Lender	400,000,000
Citibank, N.A.	Issuing Lender and Lender	400,000,000
Credit Suisse AG, Cayman Islands Branch	Issuing Lender and Lender	400,000,000
JPMorgan Chase Bank, N.A.	Issuing Lender and Lender	400,000,000
Mizuho Bank, Ltd.	Issuing Lender and Lender	400,000,000
MUFG Bank, Ltd.	Issuing Lender and Lender	400,000,000
Royal Bank of Canada	Issuing Lender and Lender	400,000,000
Truist Bank	Lender	400,000,000
PNC Bank, National Association	Lender	337,500,000
Sumitomo Mitsui Banking Corporation	Lender	337,500,000
BNP Paribas	Lender	325,000,000
Goldman Sachs Bank USA	Lender	325,000,000
Morgan Stanley Bank, N.A.	Lender	325,000,000
TD Bank, N.A.	Lender	325,000,000
The Bank of Nova Scotia	Lender	325,000,000
U. S. Bank National Association	Lender	325,000,000
KeyBank National Association	Lender	175,000,000
Regions Bank	Lender	175,000,000
Santander Bank, N.A.	Lender	175,000,000
The Bank of New York Mellon	Lender	175,000,000
The Northern Trust Company	Lender	175,000,000
Bank of Montreal, Chicago Branch	Lender	100,000,000
TOTAL COMMITMENTS		**8,000,000,000**

Source: Information Response 60

The Master Credit Facility is governed by Amendment No. 5, dated March 16, 2020, which amends the original credit agreement dated November 18, 2011 and the four subsequent amendments dated December 18, 2013; January 30, 2015; March 16, 2017; and March 18, 2019. In Amendment No. 4, the participants of the Master Credit Facility extended the commitment termination date of the Master Credit Facility to March 2024. In Amendment No. 5, the participants exercised one of two remaining extension options to extend this date one year to March 2025.[271]

Duke Energy can increase or decrease the borrowing sublimit of each borrowing participant subject to their maximum sublimit. The amount available under this credit facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds.

DEC and DEP are required to maintain $250 million of available capacity under this credit facility to meet obligations related to violations at their facilities concerning ash basins.[272] The requirement for both DEC and DEP to reserve $250 million as Coal Ash Set-Asides expired May 2020. However, the Coal Ash corrective action is likely to require an additional $5 billion to be spent over the next 10 to 20 years.[273]

Commercial Paper

Only Duke Energy Corporation has a commercial paper program, which is used to help fund the Money Pool.[274] Duke Energy Corporation issued $625 million of commercial paper and loaned the proceeds through the money pool to DEC, DEP, DEO and DEI. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Consolidated Balance Sheets.[275] DEC, DEP, and Piedmont do not issue commercial paper.[276] The commercial paper amounts for the regulated utilities including DEC and DEP are classified as long-term debt.[277]

Capital Structure

Dividend Payouts

The Duke Energy dividend policy that determines the amount of dividends that DEC, DEP, and Piedmont send to their parent is similar to the dividend payout policy that Duke Energy has with its stockholders – a target of 65% to 75% of net income.[278] With the payment of dividends in 2019, Duke Energy has paid a cash dividend on its common stock for 93 consecutive years. Duke Energy's ability to meet its financial obligations, including paying dividends to its stockholders is dependent on the payment of upstream dividends from its subsidiary companies. *Exhibit IV-16* displays the dividends paid and the dividend payout ratio for the upstream dividends paid by DEC, DEP, and Piedmont to Duke Energy over the past five years, as well as the dividends and dividend payout ratio paid by Duke Energy to its common stockholders.[279] The utilities' capital contributions, either to or from the parent, and long-term financing is based on cash needs of the jurisdiction and financial assumptions.[280]

Exhibit IV-16
DEC, DEP, and Piedmont Dividend Payout History
2015 to 2019

Entity/Payout	Years					3-Yr. Avg. (2017-2019)	5-Yr. Avg. (2015-2019)
	2015	2016	2017	2018	2019		
DEC							
Dividend ($ millions)	401	2,000	625	750	275	550	810
Net Income ($ millions)	1,081	1,166	1,214	1,071	1,403	1,229	1,187
Payout Ratio (Dividend/Net Income)	37%	172%	51%	70%	20%	45%	68%
DEP							
Dividend ($ millions)	0	300	124	175	0	100	120
Net Income ($ millions)	566	599	715	667	805	729	670
Payout Ratio (Dividend/Net Income)	0%	50%	17%	26%	0%	14%	18%
Piedmont							
Dividend ($ millions)	N/A	N/A	0	0	0	0	N/A
Net Income ($ millions)	N/A	N/A	139	129	202	157	N/A
Payout Ratio (Dividend/Net Income)	N/A	N/A	0%	0%	0%	0%	N/A
Total All Three North Carolina Utilities							
Dividend ($ millions)	401	2,300	749	925	275	650	930
Net Income ($ millions)	1647	1,765	2,068	1,867	2,410	2,115	1,951
Payout Ratio (Dividend/Net Income)	24%	130%	36%	50%	11%	31%	48%
Duke Energy Corporation							
Dividend ($ millions)	2,229	2,352	2,443	2,646	2,749	7,838	12,419
Net Income ($ millions)	2,831	2,170	3,064	2,644	3,571	9,279	14,280
Payout Ratio (Dividend/Net Income)	79%	108%	80%	100%	77%	84%	87%

Source: Information Responses 33 and https://www.duke-energy.com/annual-report, "2019 Annual Report"

The dividend payout ratios for DEC, DEP, and Piedmont vary considerably over the past five years, and only DEC's dividend payout ratio coming close to that of Duke Energy. DEC's ratio varies from 20% to 172% with a three-year (2017 - 2019) average of 45% and a five-year average of 68%. DEP's ratio varies from 0% in 2015 and 2019 to a high of 50% in 2016. Piedmont did not pay upstream dividends in the three years since acquisition by Duke Energy. Combining all three North Carolina utilities yields a five-year dividend payout ratio of 48%, well below the stated target of 65% to 75%. During this same period, Duke Energy's dividend payout ratio averaged 87%, with two years exceeding 100% of net income.[281]

Capitalization

Duke Energy attempts to keep the capital structure of its utility companies, including DEC, DEP, and Piedmont, close to what was approved in their last rate cases. The utility commissions approve a rate case capital structure, and Duke Energy tries to maintain that structure. A company's capital structure can be calculated on a book or regulatory accounting basis. Among Duke Energy's subsidiary utility companies, only Duke Energy Florida uses the book basis (including both short-term and long-term debt and excluding goodwill from equity; essentially the GAAP basis). Duke's other utilities, including DEC, DEP, and Piedmont, use the regulatory accounting basis to calculate capital structure.[282]

A covenant in the Duke Energy $8 billion master credit facility requires DEC and DEP to maintain a debt to total capitalization ratio of no more than 65% and Piedmont to maintain a debt to total capitalization ratio of no more than 70%.[283]

Duke Energy has recently issued $5 billion in equity - $3 billion in common equity and $2 billion in preferred stock.[284]

The capital structures for DEC, DEP, and Piedmont over the past five years are shown in *Exhibit IV-17*.[285]

Exhibit IV-17
DEC, DEP, and Piedmont Capital Structure History
2015 to 2019

Entity/Financial Data	For Years Ended December 31									
	2015		2016		2017		2018		2019	
	$ Millions	%	$ Millions	%	$ Millions	%	$ Millions	%	$ Millions	%
DEC										
Debt	8,367	42	9,6032	47	10,207	47	11,378	49	11,930	48
Equity	11,606	58	10,772	53	11,361	53	11,683	51	12,811	52
Total Capitalization	19,923	100	20,375	100	21,568	100	23,061	100	24,740	100
DEP										
Debt	6,727	49	7,011	49	7,597	49	8,498	50	9,124	50
Equity	7,059	51	7,358	51	7,949	51	8,441	50	9,245	50
Total Capitalization	13,786	100	14,369	100	15,546	100	16,939	100	18,370	100
Piedmont										
Debt	1,524	51	2,151	56	2,401	59	2,336	53	2,861	54
Equity	1,458	49	1,672	44	1,662	41	2,091	47	2,443	46
Total Capitalization	2,982	100	3,823	100	4,063	100.0	4,427	100	5,303	100

Source: Information Response 34

For the past five years, DEC's debt to total capitalization ratio as not exceeded 49%. DEP's debt to total capitalization ratio had not exceeded 50%, and Piedmont's highest debt to capitalization ratio was 59% in 2017.[286]

Financial Forecasting

Duke utilizes UI Planner for their five-year plan. The first two years of the five-year plan contain considerably more detail than the last three years. Work on this plan starts in August to forecast the financial needs of the Duke family of regulated and non-regulated companies. In the November to December time period there is a more rigorous review and evaluation of the plan, and in February, the financial plan is finalized and presented to the Board of Directors (BOD) for approval at the February BOD meeting. The plan is reviewed and revised or refined several times during the year (mid-summer and fall). The Treasury Department works with the Financial Planning & Analysis (FP&A) group in developing and monitoring/adjusting the financial plan throughout the year.[287]

Areas considered in developing the plan include:[288]

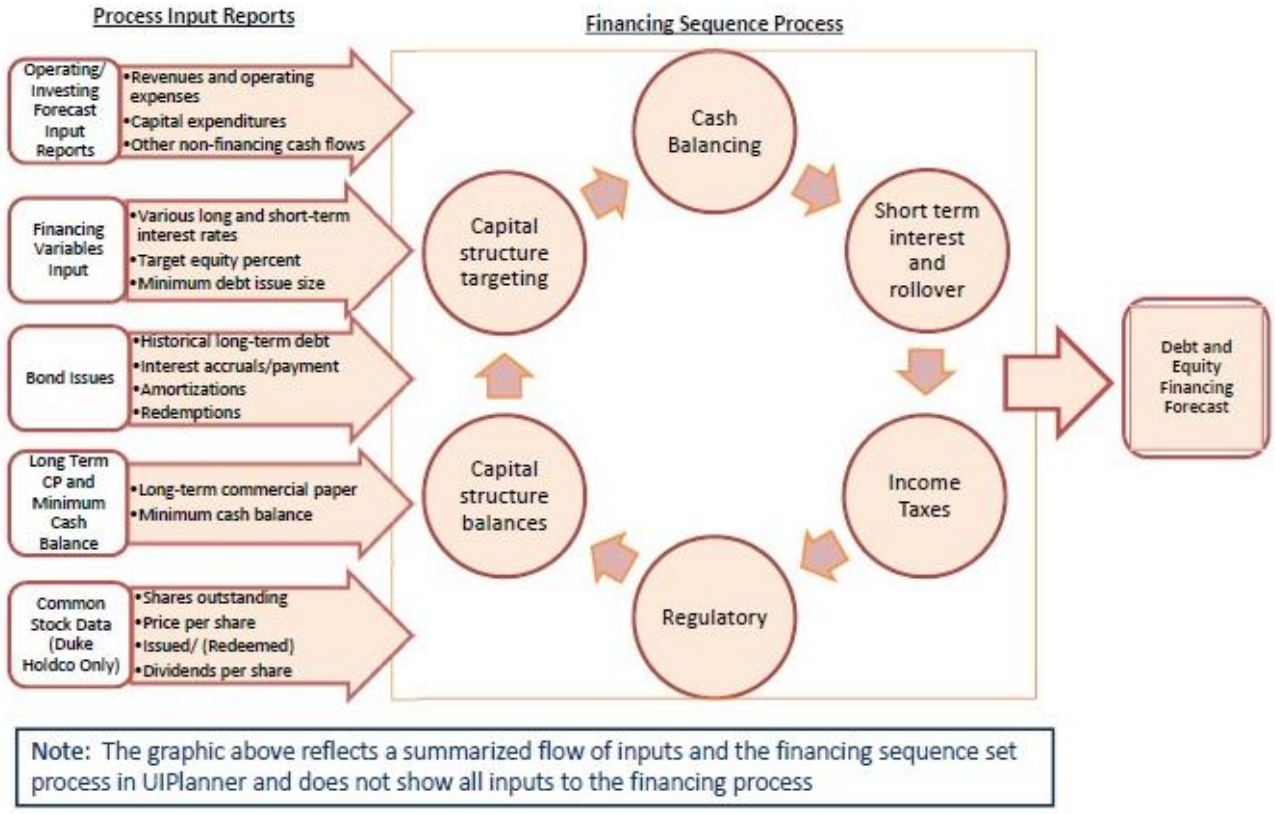
- Liquidity and capitalization requirements of the utility companies and Duke Energy
- Long- and short-term financing needs and availability

- Issue size and timing – Duke has determined that the minimum size debt issue should be $350 - $400 million, based on the costs associated with floating a debt issue. The target length for long-term debt is 15 – 20 years. Long-term investments are supported by long-term borrowing.
- The cost of debt versus the cost of equity
- The credit ratios needed at each company to maintain desired or required credit ratings
- The regulated utilities' target capital structure

Duke's financial forecasting is governed by a specific policy that lays out objectives, concepts, and assumptions.[289]

Duke's Capital Structure Targeting and Cash Balancing general process is shown in flowchart format in in *Exhibit IV-18*.[290]

Exhibit IV-18
Capital Structure Targeting and Cash Balancing
December 31, 2019



Source: Information Request response 23

B. Findings and Conclusions

Finding IV-1 **The long-term indebtedness of DEC, DEP, and Piedmont, or that of their affiliates, do not expose these companies or their ratepayers to undue risk.**

Duke Energy Corporation, Progress Energy, DEBS, and the seven Duke Energy utility companies had 196 long-term debt issues totaling $54.7 billion on their books as of the end of 2019. A review of the documentation of 23 of the prospectuses of these long-term debt instruments representing $13.9 billion was conducted to determine if the debt documentation contained clauses or covenants that could expose DEC, DEP, or Piedmont to financial damage or risk. The value of the debt instruments reviewed represented approximately 25% of the value of the long-term debt issues for these Duke Energy entities, and the number of debt instruments reviewed was approximately 12% of the total number of Duke debt instruments outstanding at December 31, 2019.[291]

Documentation for each of these long-term debt obligations was reviewed to identify any clauses or codicils that might affect DEC, DEP, and Piedmont or could possibly require these three utilities to assume some future obligation because of an action or inaction by one of their affiliates. There was no indication DEC, DEP, or Piedmont or their ratepayers were at greater risk due to their long-term debt obligations or those held by their affiliates. Reviews of funding agreements and sampled debt obligation documentation did not reveal any instance in which DEC, DEP, or Piedmont were listed as guarantor, endorser, surety, or were otherwise obligated to assume the debt of one of their affiliates[292]

Finding IV-2 **The financial agreements in which DEC, DEP, and Piedmont are participants do not obligate or increase their financial risk.**

DEC, DEP, and Piedmont are participants in the Duke Energy Utility Money Pool Agreement and the $8.0 billion Master Credit Facility. Neither of these agreements obligate DEC, DEP, and Piedmont to come to the financial aid of, or otherwise support, the other Duke affiliates. All three utilities are listed as lenders and borrowers in the Duke Energy Money Pool Agreement and as borrowers in the Master Credit Facility. There was no terminology in either document to indicate that DEC, DEP, or Piedmont were responsible for credit or funds extended to the other participants in the agreements.[293]

Finding IV-3 **DEC, DEP, and Piedmont have not pledged, mortgaged, or otherwise used as collateral any of their assets for the benefit of an affiliate.**

A review of Duke's funding agreements (Utility Money Pool Agreement and Credit Agreement), sampled debt obligation documents, and financial statements did not reveal any instance of DEC, DEP, or Piedmont pledging, mortgaging, or otherwise using as collateral any of their assets for the benefit of an affiliate.[294]

Finding IV-4 **DEC, DEP, and Piedmont have maintained consistent credit ratings from 2015 through 2019.**

DEC's credit ratings for its senior secured debt for the five years from 2015 through 2019 have remained constant at Aa2 from Moody's and A from Standard & Poor's (S&P), with its senior unsecured debt consistently rated at A1 by Moody's and A- by S&P. DEP's credit ratings during this same period were also consistent, settling at Aa3 for its senior secured debt and A3 for the Corporate Credit Rating from Moody's and A and A- from S&P. Piedmont's rating for its senior unsecured debt dropped one notch by Moody's from A2 to A3 and from A to A- by S&P. The current Outlook for all three North Carolina utilities was rated "Stable" by both Moody's and S&P, reflecting that the Duke Energy family of utilities will continue to have credit quality and effectively managed regulatory risk.[295]

Finding IV-5 **Using the Money Pool for short-term borrowing has been advantageous to DEC, DEP, and Piedmont.**

For the past five years DEC and DEP have borrowed short-term funds through the Money Pool, and for the past three years Piedmont has also borrowed short-term funds through the Money Pool. The weighted average annual interest rate for the short-term funds borrowed by DEC ranged from a low of 0.53% in 2015 to 2.56% in 2019. DEP's weighted average annual interest rate ranged from 0.35% in 2015 to 2.53% in 2019, and Piedmont's weighted average annual rate from 2017 through 2019 ranged from 1.29% to 2.23%. The rates paid by DEC, DEP, and Piedmont for short-term loans from other participants of the Money Pool were comparable or lower than rates that could have been charged through other means, such as floating issues of long-term debt.[296]

Interest rates for the long-term debt on DEC's books at the end of 2019 ranged from a low of 1.917% for the long-term debt portion of Duke Energy's Commercial Paper to 13.791% for a finance lease for the Dan River Pipeline. Most of the long-term debt held by DEC were First Mortgage Bonds, which carried interest rates ranging from 2.450% to 8.980%, as shown in *Exhibit IV-2*.[297]

Interest rates for the long-term debt on DEP's books at the end of 2019 ranged from a low of 1.917% for the long-term debt portion of Duke Energy's Commercial Paper to 13.948% for a finance lease for the PNG Transport Wayne Pipeline. Over 80% of the long-term debt held by DEP at December 31, 2019 were First Mortgage Bonds, carrying interest rates ranging from 2.065% to 8.625%, also shown in *Exhibit IV-3*.[298]

Interest rates for Piedmont's long-term debt (all unsecured debt) at the end of 2019 ranged from a low of 3.470% to high of 8.450%, as shown in *Exhibit IV-4*.[299]

Exhibit IV-19 displays the net interest for Money Pool funds borrowed or lent by DEC, DEP, and Piedmont.[300]

Exhibit IV-19
Net Interest for Money Pool Funds Borrowed or Lent by DEC, DEP, and Piedmont
2015 through 2019

	Years Ended December 31									
	2015		2016		2017		2018		2019	
Lender	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]	Interest ($)	Interest Rate[1]
DEC										
Interest Earned	311,090	0.21%	137,100	0.46%	855,833	1.02%	708,548	2.02%	489,342	2.12%
Interest Paid	1,625,232	0.53%	2,645,919	0.87%	6,683,229	1.24%	16,247,293	2.17%	17,311,211	2.56%
Net Interest (Interest Earned less Interest Paid)	(1,314,142)	N/A	(2,508,819)	N/A	(5,827,396)	N/A	(15,538,745)	N/A	(16,821,869)	N/A
DEP										
Interest Earned	311,090	0.21%	137,160	0.46%	855,833	1.02%	708,548	2.02%	489,342	2.12%
Interest Paid	299,640	0.35%	1,889,048	0.80%	5,539,681	1.25%	8,683,856	2.17%	7,450,374	2.53%
Net Interest (Interest Earned less Interest Paid)	11,450	N/A	(1,751,888)	N/A	(4,683,848)	N/A	(7,975,308)	N/A	(6,961,032)	N/A
Piedmont										
Interest Earned	N/A	N/A	N/A	N/A	0	0.00%	300,590	1.95%	19,244	2.29%
Interest Paid	N/A	N/A	N/A	N/A	2,357,157	1.29%	1,709,233	1.97%	4,879,605	2.23%
Net Interest (Interest Earned less Interest Paid)	N/A	N/A	N/A	N/A	(2,357,157)	N/A	(1,408,643)	N/A	(4,860,361)	N/A

Note: [1] Weighted Average Annual Interest Rate

Source: Information Responses 29-2, 29-3, 29-4, 76-2, 76-3, and 76-4

Finding IV-6 DEC, DEP, and Piedmont were net borrowers from the Money Pool.

The Duke Energy utility companies plus DEBS can lend and borrow funds from other Money Pool participants. Duke Energy, Cinergy, and Progress Energy can only lend money through the Money Pool. During the 2015 through 2019 period DEC, DEP, and Piedmont lent and borrowed funds from other Money Pool participants. Funds lent or borrowed were generally for one day and occasionally for three days over a weekend. All three companies were net borrowers, i.e., they borrowed more than they lent. This can be seen in *Exhibit IV-17*, above, which shows that, with the exception of DEP in 2015, all three North Carolina utilities paid more interest than they received for Money Pool transactions. The interest rates for interest earned and interest paid are comparable for each company during each of these five years. Differences can be explained by the fact that funds were being lent at different times than the funds that were being borrowed. DEC was the largest borrower from this group, with net interest ranging from a low of $1.3 million in 2015 to a high of $16.8 million in 2019.[301]

Finding IV-7 **The upstream dividend payouts by DEC, DEP, and Piedmont have not adversely impacted their credit ratings or credit facility standings.**

Duke Energy has paid a cash dividend on its common stock for 93 consecutive years. Duke Energy's ability to meet its financial obligations, including paying dividends to its stockholders is dependent on the payment of upstream dividends (payments to their parent company) from its subsidiary companies. Duke Energy had average payout ratios (Dividends/Net Income) of 84% for the last three years and 87% for the last five years. The upstream dividends of all three North Carolina utilities were significantly less than the dividend payout ratio of their parent company. DEC had an average upstream dividend payout ratio of 45% for the last three years and 68% for the last five years. DEP had an average upstream dividend payout ratio of only 14% for the past three years and 18% for the past five years. Piedmont paid no upstream dividends over the past three years. Dividend payments from these three companies did not adversely affect their financial operations and did not meet the Duke Corporate target maximum dividend payout ratio of 65% to 75% of net income.[302]

Finding IV-8 **The capital structures of DEC, DEP, and Piedmont for the past five years were conservative and in compliance with regulatory and credit rating requirements.**

Duke Energy attempts to keep the capital structure of its utility companies, including DEC, DEP, and Piedmont, close to what was approved in their last rate cases. Additionally, a covenant in the Duke Energy $8 billion master credit facility requires DEC and DEP to maintain a debt to total capitalization ratio of no more than 65% and Piedmont to maintain a debt to total capitalization ratio of no more than 70%. A major factor influencing Moody's and S&P's credit ratings of these three companies is their ability to maintain these capitalization ratios. During the past five years, DEC's debt to total capitalization ratio ranged from 42% to 49%. DEP's debt to total capitalization ratio was 49% to 50%. Piedmont's debt to total capitalization ratio for the past three years ranged from 53% to 59%. All three companies' debt to total capitalization ratio were well within the maximum limits set by the lenders in the Duke Energy Master Credit Facility and the rates expected by the credit rating agencies.[303]

Finding IV-9 **The financial strengths of DEC, DEP, and Piedmont are not adversely impacted by their affiliated companies.**

Although DEC, DEP, and Piedmont are not insulated from the operations of their affiliated companies, they have not been adversely impacted by this relationship. Credit rating agencies acknowledge that the financial condition and operations of the Duke Energy Corporation and its subsidiaries could affect how DEC, DEP, and Piedmont are evaluated. However, this is only one element of the rating considerations, and of equal, if not greater, importance is the individual company business and operating risk, capital expenditure programs, and the supportive state regulatory environments. Favorable outcomes over the past five years have contributed to the stable credit rating reports that have been received by all three companies.[304]

C. Recommendations

None

[1] / Information Response 3
[2] / Information Response 2
[3] / Information Response 2
[4] / Information Response 3
[5] / Information Response 9
[6] / Information Response 3, including appendices
[7] / Interview 8
[8] / Information Response 71
[9] / Information Response 3 Page 18
[10] / Interview 3 and Information Request Response 14
[11] / Information Response 5
[12] / Information Responses 6, 7, and 8
[13] / Information Response 16
[14] / Information Response 17
[15] / Information Response 16
[16] / Information Response 17
[17] / Information Response 16
[18] / Interview 2
[19] / Interview 6
[20] / Interview 6
[21] / Information Response 7
[22] / Interview 3
[23] / Information Response 47
[24] / Information Response 7
[25] / Information Response 8
[26] / Information Responses 6 and 8 and Interview 6
[27] / Information Responses 6 and 8 and Interview 6
[28] / Information Responses 6 and 8 and Interview 6
[29] / Interview 6
[30] / Information Response 56
[31] / Information Response 56 Attachment
[32] / Information Response 56 Attachment Analysis
[33] / Information Response 56 Attachment
[34] / Information Response 57
[35] / Information Response 57
[36] / Information Response 7
[37] / Information Response 9
[38] / Information Response 9
[39] / Interview Summary 3
[40] / Interview 3
[41] / Interview 3
[42] / Information Response 9

[43] / Interview 3
[44] / Information Response 9
[45] / Information Response 2
[46] / Information Response 9
[47] / Interview 3
[48] / Interview 3
[49] / Information Response 9 CAM Pages 43 to 51 as mentioned in Interview 3
[50] / Information Response 9 CAM Pages 41 and 54 as mentioned in Interview 3
[51] / Information Response 9 CAM Pages 41-42
[52] / Information Response 9 CAM Pages 54-56
[53] / Interview 3
[54] / Information Response 9
[55] / Interview 16
[56] / Interview 16
[57] / Interview 3
[58] / Interview 16 and Information Response 55
[59] / Interview 16
[60] / Information Response 55 Page 3
[61] / Information Response 55 Page 6
[62] / Information Response 55 Page 13
[63] / Information Response 55 Page 15
[64] / Information Response 55 Page 17
[65] / Interview 16
[66] / Interview 16
[67] / Interview 16
[68] / Information Response 12
[69] / Interview 3
[70] / Information Response 12 FIN1850 Allocation Step Owner Training attachment
[71] / Information Response 12 FIN1850 Allocation Step Owner Training attachment
[72] / Information Response 4, including 3 Updates
[73] / Information Response 4 and Interview 8
[74] / Information Response 4 and Interview 8
[75] / Information Response 9
[76] / Information Response 10 and Interview 2
[77] / Interview 2
[78] / Interview 2
[79] / Interview 2
[80] / Interview 2
[81] / Information Response 10
[82] / Information Response 10
[83] / Information Response 10
[84] / Information Response 10
[85] / Information Response 10
[86] / Information Response 10
[87] / Information Response 10
[88] / Information Response 10
[89] / Information Response 10
[90] / Information Response 10

[91] / Interview 5
[92] / Interview 5
[93] / Interview 5
[94] / Information Response 51 as discussed in Interview 5
[95] / Information Response 52
[96] / Information Response 52
[97] / Information Response 54
[98] / Information Response 70
[99] / Information Response 53
[100] / Information Response 53
[101] / Information Response 54
[102] / Information Response 11 and Interview 12
[103] / Information Response 68
[104] / Information Response 68
[105] / Information Response 11 and Interview 12
[106] / Interview 12
[107] / Information Response 11
[108] / Interview 12
[109] / Information Response 11
[110] / Information Response 11
[111] / Information Response 13
[112] / Information Response 2 and Interview 8
[113] / Information Response 73
[114] / Information Response 73 VA_R03_T01
[115] / Information Response 73 VA_R04_T01
[116] / Information Response 73 VA_R04_T01
[117] / Information Response 71
[118] / Information Response 3 Attachments
[119] / Interview 15 and Information Response 3 Update
[120] / Interview 15 and Information Response 3 Update
[121] / Information Response 8
[122] / Information Response 9
[123] / Information Response 8
[124] / Information Response 8
[125] / Information Response 8 Consultant Analysis
[126] / Information Response 9
[127] / Interview 16
[128] / Information Response 9 and Interview 3
[129] / Information Response 9 and Interview 3
[130] / Information Response 9
[131] / Information Response 65
[132] / Information Response 65
[133] / Information Response 69
[134] / Information Response 70
[135] / Information Response 70
[136] / Interview 12
[137] / Interview 3
[138] / Information Response 69

[139] / Information Response 9, 10, 15, 18, and 20
[140] / Interview 5
[141] / Information Response 15
[142] / Information Response 15
[143] / Information Response 10
[144] / Information Request Response 10
[145] / Interview 3
[146] / Information Response 18
[147] / Information Response 18
[148] / Information Response 10
[149] / Interview 2
[150] / Interview 2 and Information Response 10
[151] / Interview 2 and Information Response 10
[152] / Interview 2 and Information Response 10
[153] / Interview 2
[154] / Interview 2 and Information Responses 10 and 41
[155] / Information Response 40
[156] / Information Responses 16 and 39
[157] / Interview 2
[158] / Information Response 39
[159] / Interview 2
[160] / Information Response 36
[161] / Information Response 36
[162] / Information Response 37
[163] / Information Response 37
[164] / Information Response 38
[165] / Interview 2
[166] / Interview 15
[167] / Interview 15 and Information Response 17
[168] / Interview 15 and Information Response 17
[169] / Interview 15
[170] / Information Response 74
[171] / Information Response 74
[172] / Information Response 74
[173] / Information Response 14
[174] / Information Response 14
[175] / Information Response 14
[176] / Information Response 14
[177] / Information Response 14
[178] / Information Response 14
[179] / Information Response 14
[180] / Information Response 14
[181] / Interview 3 and Information Response 14
[182] / Interview 3
[183] / Interview 3
[184] / Interview 7
[185] / Information Response 64
[186] / Information Response 64

[187] / Information Response 64
[188] / Interview 7
[189] / Information Response 15 and Interview 3
[190] / Interview 2
[191] / Information Response 14 and Schumaker & Company prior audit work
[192] / Interview 2, Information Response 14 and Schumaker & Company prior audit work
[193] / Interview 2, Information Response 14 and Schumaker & Company prior audit work
[194] / Information Response 14 and Interview 3
[195] / Information Response 14 and Interview 3
[196] / Interview 5
[197] / Interview 5
[198] / Information Response 53
[199] / Information Response 52
[200] / Information Response 70
[201] / Information Response 7
[202] / Information Response 7
[203] / Interview 3 and Information Response 55
[204] / Information Request Reponses 7 and 8 and Interview 3
[205] / Interview 13
[206] / Interview 13
[207] / Interview 10, Information Response 21 and Duke website: https://www.duke-energy.com/our-company/investors/fixed-income-investors
[208] / Information Response 21 and Interview #13
[209] / Interview 19 and Information Response 66
[210] / Interview 18 and information Response 77
[211] / Interview 18 and information Response 77
[212] / Interview 18 and information Response 77
[213] / Interview 14
[214] / Interview 18
[215] / Interview 18 and information Response 77
[216] / Information Response 18
[217] / Interviews 2, 3, 5, 8, and 13 and Information Requests 4, 9, 10 and 14
[218] / Information Response 9 and 13
[219] / Information Response 53 and 54
[220] / Interview 6
[221] / Information Response 58
[222] / Information Response 84
[223] / Information Response 84
[224] / Information Responses 9, 10, 14, 15, 18, 20, and 74
[225] / Interview 2 and Information Response 10
[226] / Interview 15 and Information Response 17
[227] / Interview 15 and Information Response 17
[228] / Interview 19 and Information Response 66
[229] / Interview 19 and Information Response 66
[230] / Interview 20 and Information Response 67
[231] / Interview 20 and Information Response 67
[232] / Interview 20 and Information Response 67
[233] / Interview 20 and Information Response 67
[234] / Information Response 1

[235] / Information Response 1
[236] / Information Response 43
[237] / https://www.duke-energy.com/our-company/investors/fixed-income-investors, "Long-term Debt Details"
[238] / Interview 4
[239] / https://www.duke-energy.com/our-company/investors/fixed-income-investors, "Long-term Debt Details"
[240] / https://www.duke-energy.com/our-company/investors, "2019 Duke Energy Form 10-K"
[241] / Information Response 62
[242] / Information Response 29
[243] / Interview 4
[244] / https://www.duke-energy.com/our-company/investors/fixed-income-investors "Long-term Debt Details"
[245] / Information Response 30
[246] / Information Response 31
[247] / Information Response 30
[248] / Interview 4
[249] / Information Response 22
[250] / Interview 4
[251] / Interview 4
[252] / Information Response 22
[253] / Information Response 22
[254] / Information Response 28
[255] / Information Response 28
[256] / Information Response 28
[257] / Information Response 28
[258] / Information Response 28
[259] / Information Response 28
[260] / Information Response 76
[261] / Information Response 76-002
[262] / Information Response 29-002
[263] / Information Response 76-003
[264] / Information Response 29-003
[265] / Information Response 76-004
[266] / Information Response 29-004
[267] / Interview 4
[268] / Information Response 44
[269] / Information Response 60
[270] / Information Response 60
[271] / Information Response 60
[272] / https://www.duke-energy.com/our-company/investors, "2019 Duke Energy Form 10-K"
[273] / Interview 4
[274] / Interview 4
[275] / https://www.duke-energy.com/our-company/investors, "2019 Duke Energy Form 10-K"
[276] / Information Response 32
[277] / Information Response 62
[278] / Interview 4
[279] / https://www.duke-energy.com/annual-report, "2019 Annual Report"
[280] / Interview 4
[281] / Information Responses 33 and https://www.duke-energy.com/annual-report, "2019 Annual Report"
[282] / Interview 4

[283] / Information Response 31
[284] / Interview 4
[285] / Information Response 59
[286] / Information Response 34
[287] / Interview 4
[288] / Interview 4
[289] / Information Request Response 23
[290] / Information Request Response 23
[291] / https://www.duke-energy.com/our-company/investors/fixed-income-investors, "Long-term Debt Details"
[292] / https://www.duke-energy.com/our-company/investors/fixed-income-investors, "Long-term Debt Details"
[293] / Information Responses 28 and 60
[294] / https://www.duke-energy.com/our-company/investors/fixed-income-investors, "Long-term Debt Details" and Information Responses 28 and 60
[295] / Information Responses 30 and 31
[296] / Information Responses 29-002, 29-003, 29-004, 76-002, 76-003, and 76-004
[297] / https://www.duke-energy.com/our-company/investors/fixed-income-investors, "Long-term Debt Details"
[298] / https://www.duke-energy.com/our-company/investors/fixed-income-investors, "Long-term Debt Details"
[299] / https://www.duke-energy.com/our-company/investors/fixed-income-investors, "Long-term Debt Details"
[300] / Information Responses 29-002, 29-003, 29-004, 76-002, 76-003, and 76-004
[301] / Information Responses 29-002, 29-003, 29-004, 76-002, 76-003, and 76-004
[302] / Information Responses 33 and https://www.duke-energy.com/annual-report, "2019 Annual Report"
[303] / Information Response 34 and Interview 4
[304] / Information Response 31