



Jack E. Jirak
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January 8, 2020

VIA ELECTRONIC FILING

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

**RE: Duke Energy Progress, LLC's Late-Filed Exhibit
Docket No. EMP-105, Sub 0**

Dear Ms. Campbell:

Enclosed for filing with the North Carolina Utilities Commission is Duke Energy Progress, LLC's Late-Filed Exhibit, in the above-referenced proceeding.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in black ink that reads "Jack Jirak". The signature is written in a cursive, slightly slanted style.

Jack E. Jirak

Enclosure

cc: Parties of Record

OFFICIAL COPY

Jan 08 2020

Duke Energy Progress, LLC Late-Filed Exhibit

Docket No. EMP-105, Sub 0

Question: Please explain the reasons for the increase of the estimated cost of the Friesian Network Upgrades from \$116M (“Initial Estimate”) to \$224.4 (“IA Estimate”).

Response: The Initial Estimate was a Class 5 estimate that was based on a preliminary understanding of scope and without full engineering completed. The cost estimate was not derived from the Company’s cost and scheduling systems, which was being updated at the time of the Initial Estimate.

Prior to execution of the Interconnection Agreement, DEP continued work to develop the IA Estimate, which was a Class 4 estimate. The IA Estimate was based on a more detailed understanding of the scope and was developed using the Company’s updated cost and scheduling systems.

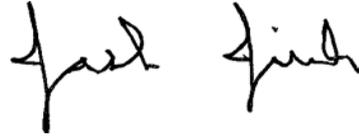
The increase in costs was driven primarily by the following factors:

- **More Detailed Scoping** – As the full scope of the project became more detailed, the Company was able to gain more granular information regarding the resources needed to rebuild the impacted transmission lines based on prior similar work, including more detailed identification and cost estimates for required materials. In addition, transmission system outage planning was able to provide more specific information regarding achievable outage windows.
- **Labor costs** – As was discussed extensively during the hearing, there has been an increase in labor costs for this type of work. This updated labor cost information was then used to develop a more refined estimate of the per mile labor costs that led to the updated estimate.
- **Environmental costs** – Similarly, the Company continues to experience increased costs for environmental compliance and such increased costs were factored into the IA Estimate. For instance, the Company’s experience with more recent projects has demonstrated that matting costs (a significant cost item) were often far greater than initial estimates.
- **Contingency** – In light of the unique scope of the project, the IA Estimate included a contingency amount of \$39.5M. A contingency amount was not included in the Initial Estimate.

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Progress, LLC's Late-Filed Exhibit, in Docket No. EMP-105, Sub 0, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to parties of record.

This the 8th day of January, 2020.

Handwritten signature of Jack E. Jirak in black ink.

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