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March 21, 2017

VIA ELECTRONIC FILING

M. Lynn Jarvis
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**RE: Duke Energy Carolinas, LLC 's Reply to NC WARN's Response
Docket No. E-7, Sub 819**

Dear Ms. Jarvis:

I enclose the Reply of Duke Energy Carolinas, LLC to NC WARN's Response for filing in connection with the referenced matter.

Thank you for your attention to this matter. If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lawrence B. Somers', written over the typed name.

Lawrence B. Somers

Enclosure

cc: Parties of Record

OFFICIAL COPY

Mar 21 2017

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 819

| | |
|---|------------------------|
| Amended Application of Duke Energy Carolinas,) | REPLY OF |
| LLC for Approval of Decision to Incur Nuclear) | DUKE ENERGY CAROLINAS, |
| Generation Project Development Costs) | LLC TO NC WARN'S |
|) | RESPONSE |

NOW COMES Duke Energy Carolinas, LLC (“DEC” or “the Company”), pursuant to N.C. Gen. Stat. §62-110.7 and North Carolina Utilities Commission Rule R1-7 and replies to NC WARN’s Response filed on March 1, 2017 (“Response”) in this Docket, which requested that the Commission issue a show cause order to compel DEC to (1) “provide an update on the financial status of Toshiba-Westinghouse and its potential impacts on DEC plans for the Lee Station” and (2) “to require [sic] no additional cost increases will be passed along to ratepayers.” (Response at p. 1). As an initial matter, the Commission has clear authority to seek information from the Company about the Lee Nuclear Station, which the Company would certainly provide. DEC notes that announcements regarding Toshiba and Westinghouse have been widely covered in the news media. In fact, NC WARN’s Response itself discusses several news articles about Toshiba and Westinghouse.¹ Although NC WARN’s show cause request is so lacking in merit that it would appear to deserve no reply, in the spirit of cooperation DEC provides the following information in reply to NC WARN’s Response:

1. This Commission has issued three prior orders approving DEC’s decisions to incur project development costs for the proposed Lee Nuclear Station in Cherokee County, South Carolina. Through its March 20, 2007 *Order Issuing Declaratory Ruling*

¹ See Response at pp. 2-3.

("2007 Order"), its June 11, 2008 *Order Approving Decision to Incur Project Development Costs* ("2008 Order"), and its August 5, 2011 *Order Approving Decision to Incur Limited Additional Project Development Costs* ("2011 Order"), the Commission has carefully weighed the benefits to customers from developing and preserving the Lee Nuclear Station as an option to serve DEC's customers in the context of the evolving planning environment for new nuclear development in the United States. In providing its approval of DEC's decisions to incur certain project development costs, the Commission has noted that this planning environment has been characterized by regulatory, economic, and legislative uncertainties.

2. The Commission's careful consideration of the plans and project development costs for the Lee Nuclear Station in this Docket have included approval of DEC's decision to pursue a combined construction and operating license ("COL") for the Lee Nuclear Station from the Nuclear Regulatory Commission ("NRC"). Consistent with the Commission's 2007 Order, 2008 Order and 2011 Order, DEC successfully received the Lee Nuclear Station COL from the NRC on December 19, 2016.

3. The Lee COL provides significant value to DEC customers. Nuclear generation is a reliable, carbon-free and cost-effective source of electricity, and remains important in creating a diverse, sustainable energy future. As the Commission is aware, DEC operates seven nuclear units at three sites in North Carolina and South Carolina, which provide approximately 50% of the energy consumed by our customers. Receipt of the COL is a critical step in establishing the option to add the Lee Nuclear Station while the current uncertainties in the planning environment, including the prospect of

environmental and carbon regulation and the relicensing of existing nuclear plants, continue to evolve.

4. Beginning in late January 2017, and subsequent to DEC's receipt of the COL, unforeseen and significant public announcements have been made by Toshiba, parent of Westinghouse, regarding its financial condition and decision to exit the new nuclear construction and design business. As the Commission is well aware, the Lee Nuclear Station design utilizes the Westinghouse AP1000 reactor technology. The Company has been carefully monitoring the recent developments regarding Toshiba and Westinghouse, as well as the ongoing construction of the Westinghouse AP1000 units at Georgia Power Company's Vogtle project and at South Carolina Electric & Gas' Summer project, and will continue to do so to determine the impact on the Company's future decisions regarding the Lee Nuclear Station.

5. NC WARN's second request is that the Commission require that "no additional cost increases will be passed along to ratepayers."² As NC WARN should know, DEC has not yet sought cost recovery for any project development costs for the Lee Nuclear Station. As the 2007 Order, 2008 Order and 2011 Order plainly provide, and as N.C. Gen. Stat. §62-110.7(b) makes clear, while the Commission has approved DEC's decision to incur certain project development costs, the Commission has reserved for a future general rate case the determination of recovery of specific Lee Nuclear Station project development costs. As a result, no cost recovery issues for the Lee Nuclear Station are currently before the Commission and will not be until the Company makes the decision to seek cost recovery in a future general rate case proceeding. As such, NC

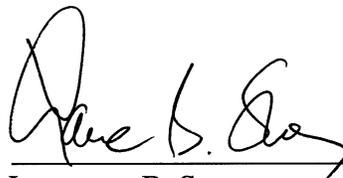
² Response at p. 4.

WARN's second request is premature, at best, and not ripe for consideration by the Commission at this time.

6. The Lee Nuclear Station would be the largest single capital project in the history of Duke Energy Carolinas, and the Company therefore has consistently brought information and applications to the Commission throughout the project development process to seek guidance and approval of the Company's decisions for the benefit of its customers. The Company will continue to carefully evaluate all of the information necessary to make a decision regarding the construction of the Lee Nuclear Station, and will pursue appropriate approvals from the Commission in due course.

WHEREFORE, for all the foregoing reasons, Duke Energy Carolinas respectfully requests that the Commission deny the relief requested in NC WARN's Response.

Respectfully submitted, this the 21st day of March 2017.



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*ATTORNEY FOR DUKE ENERGY
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CERTIFICATE OF SERVICE

I certify that a copy of the Reply of Duke Energy Carolinas, LLC to NC WARN's Response in Docket No. E-7, Sub 819, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to the following parties:

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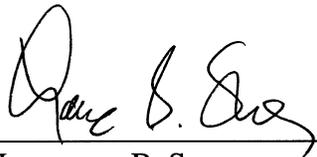
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This is the 21st day of March, 2017.

By: 

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