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March 11, 2014

**VIA ELECTRONIC FILING**

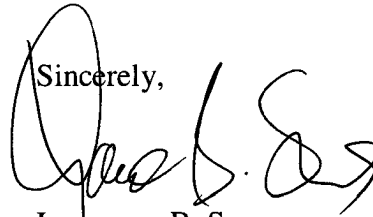
Ms. Gail L. Mount, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4325

**RE: Duke Energy Carolinas, LLC Response to NC WARN Motion  
Docket No. E-100, Sub 137**

Dear Ms. Mount:

I enclose Duke Energy Carolinas, LLC's Response to NC WARN's Motion to Review Costs of Proposed Plant in South Carolina 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,  
  
Lawrence B. Somers

Enclosures

cc: Parties of Record

Mar 11 2014 OFFICIAL COPY

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. E-100, SUB 137

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)
	) <b>DUKE ENERGY CAROLINAS'</b>
2013 Integrated Resource Plans	) <b>RESPONSE TO NC WARN'S</b>
And Related 2013 REPS Compliance	) <b>MOTION TO REVIEW COSTS</b>
Plans	) <b>OF PROPOSED PLANT IN</b>
	) <b>SOUTH CAROLINA</b>

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NOW COMES Duke Energy Carolinas, LLC ("DEC" or the "Company") pursuant to Commission Rule R1-7 and hereby respectfully requests that the North Carolina Utilities Commission ("Commission") deny NC WARN's March 10, 2014 Motion to Review Costs of Proposed Plant in South Carolina ("Motion"). The Company more fully responds to NC WARN's Motion as follows:

1. NC WARN's Motion states the latest of its long series of ideological oppositions to another new cost-effective base load and intermediate DEC generating plant needed to serve the Company's customers in North Carolina and South Carolina, and which is part of the Company's fleet modernization efforts to retire and replace aging, less efficient coal units with some of the cleanest, most efficient natural gas plants in the United States.

2. Because the new plant will be located in South Carolina, in accordance with North Carolina and South Carolina law<sup>1</sup>, DEC has filed an application with the Public Service Commission of South Carolina ("PSCSC") for a Certificate of

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<sup>1</sup> N.C. Gen. Stat. §62-110.1; *see also*, *State ex rel. Utilities Commission v. Eddleman*, 320 N.C. 344, 358 S.E.2d 339 (1987); and S.C. Code Ann. §58-33-110 *et. seq.*

Environmental Compatibility and Public Convenience and Necessity (“CECPN”)<sup>2</sup> to construct the 750 MW natural gas-fired Lee Combined Cycle project at its existing W.S. Lee Steam Station in Pelzer, South Carolina (“Lee Combined Cycle”). The North Carolina Electric Membership Corporation (“NCEMC”) will own 100 MW of the Lee Combined Cycle plant, so DEC’s ownership share will be 650 MW. The three existing 1950s vintage Lee Steam Station coal units will be retired in 2015, with one unit to be converted to natural gas at that time. The Lee Combined Cycle plant is projected to go into commercial operation in 2017.

3. DEC’s 2013 IRP, filed with the Commission in this Docket and with the PSCSC on October 15, 2013, includes a 680 MW new combined cycle resource addition in 2017 as part of its Base Case.

4. DEC, NCEMC and the South Carolina Office of Regulatory Staff filed a joint settlement agreement with the PSCSC on January 3, 2014, which recommended approval of the Lee Combined Cycle CECPN. The PSCSC held a hearing on February 4, 2014, and proposed orders were filed by March 7, 2014. Accordingly, a decision from the PSCSC is expected in the near future.

5. In its Motion, NC WARN asks that this Commission exercise its discretionary authority to review the costs and need for the out of state Lee Combined Cycle plant in this 2013 Integrated Resource Plan (“IRP”) Docket or in a new docket.

6. N.C. Gen. Stat. §62-110.6 provides that the Commission shall determine the need for, and approve the construction cost estimate of, an out of state

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<sup>2</sup> PSCSC Docket No. 2013-392-E. The PSCSC CECPN approval requirements are substantially similar to those for a Certificate of Public Convenience and Necessity pursuant to N.C. Gen. Stat. §62-110.1 and corresponding Commission rules.

generating plant to serve North Carolina retail customers “upon petition *of a public utility*.” (emphasis added). NC WARN is not a public utility, and the Company has not filed such a petition pursuant to N.C. Gen. Stat. §62-110.6.

7. Notwithstanding N.C. Gen. Stat. §62-110.6, the Commission has broad power and authority pursuant to the Public Utilities Act to conduct investigations and seek information from the Company. DEC submits, however, that if construction is approved by the PSCSC and proceeds, this Commission<sup>3</sup> will have the full authority and opportunity pursuant to N.C. Gen. Stat. §62-133 to review the reasonableness and prudence of any costs incurred by the Company to construct the Lee Combined Cycle plant in any future general rate case. NC WARN does not appear to appreciate that it is *DEC’s investment* in the construction of the Lee Combined Cycle plant that would be at risk until the Company seeks to recover such investment from customers in future proceedings before this Commission and the PSCSC.

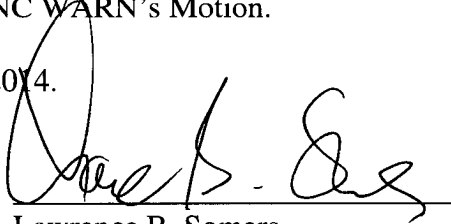
8. NC WARN states in its Motion that it plans to file IRP comments in this Docket regarding its opinions as to the need for the Lee Combined Cycle plant. NC WARN did not intervene in the PSCSC Lee Combined Cycle CECPN docket, where it could have chosen to participate in the legal approval process for the construction of Lee Combined Cycle plant. NC WARN, if it so chooses, could also attempt to oppose recovery of costs incurred for the Lee Combined Cycle plant in a future cost recovery proceeding before this Commission. Accordingly, denial of NC WARN’s motion will not prejudice NC WARN.

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<sup>3</sup> As well as any parties allowed by the Commission to intervene.

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

This the 11<sup>th</sup> day of March, 2014.



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*Counsel for Duke Energy Carolinas, LLC*

## CERTIFICATE OF SERVICE

I, Lawrence B. Somers, certify that a copy of Duke Energy Carolinas, LLC's Response to NC WARN's Motion to Review Costs of Proposed Plant in South Carolina in Docket No. E-100, Sub 137, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to the following parties for record:

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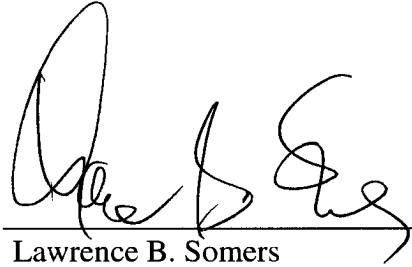
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This is the 11<sup>th</sup> day of March, 2014.

By: \_\_\_\_\_

A handwritten signature in black ink, appearing to read "Lawrence B. Somers", written over a horizontal line.

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