

North Carolina Utilities Commission

Docket No. E-100, Sub 165

Attachment 7

**Exhibit TF-6 of Mr. Fitch's Direct Testimony, as submitted to the South Carolina
Public Service Commission (Dockets 2019-224-E and 2019-225-E)**

**Duke Energy Carolinas and Duke Energy Progress Response to Vote Solar Data
Request 2-7**

Vote Solar
Docket No. E-100, Sub 165
2020 IRP
Vote Solar Data Request No. 2
Item No. 2-7
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Feb 26 2021

DUKE ENERGY CAROLINAS, LLC AND DUKE ENERGY PROGRESS, LLC

Request:

Please refer to the IRP Report at page 18, which states “Factors such as changing cost of capital will also influence future energy costs and will be incorporated into IRP forecasts as market conditions evolve.”

- a) Does the Company agree that the cost of capital available to the operating companies is affected at least in part by risks associated with the companies’ generation portfolio?
- b) Does the Company agree that the operating companies’ generation portfolio has at least some exposure to climate-related physical, economic, and regulatory risks, as identified in Duke Energy’s 2020 Climate Report?
- c) Does the Company agree that, holding all other things equal, an increase in the Companies’ cost of capital would result in a greater cumulative present-value revenue requirement?

Response:

a) The sentence referred to is part of the Customer Financial Impacts section of the IRP report, and is simply making the point that changes in the cost of capital (in addition to other changes) will affect the estimated customer bill. If financial markets perceive that relevant risks that stem from the companies’ generation portfolio has changed, then the Company agrees that an impact on the cost of capital is possible.

b) All of the factors cited could potentially impact the future generation portfolio.

c) Not necessarily. A higher cost of capital would imply higher future capital costs. However, a higher cost of capital would also imply a higher discount rate, which leads to a greater discounting effect per dollar of future cost. More assumptions such as inflation rate, timing of the project, and other cost impacts would be needed to determine the impact on cumulative present value of revenue requirement.

Person responsible: John Freund, Principal Structuring Analyst