

**BEFORE
THE NORTH CAROLINA UTILITIES COMMISSION**

DOCKET NO. E-7, SUB 1276

In the Matter of:)	
)	DIRECT TESTIMONY OF
Application of Duke Energy Carolinas, LLC)	NICHOLAS G. SPEROS
For Adjustment of Rates and Charges Applicable)	FOR DUKE ENERGY
to Electric Service in North Carolina and)	CAROLINAS, LLC
Performance-Based Regulation)	

1 **I. INTRODUCTION AND PURPOSE**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Nicholas G. Speros, and my business address is 4720 Piedmont
4 Row Drive, Charlotte, North Carolina 28210.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Duke Energy Business Services, LLC as Director of
7 Accounting, providing accounting leadership for both Duke Energy Carolinas,
8 LLC (“DEC” or the “Company”) and Duke Energy Progress, LLC (“DEP”).
9 DEC and DEP are subsidiaries of Duke Energy Corporation (“Duke Energy”).

10 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
11 **QUALIFICATIONS.**

12 A. I graduated from the University of Cincinnati with a bachelor’s degree in
13 Business Administration.

14 **Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.**

15 A. I have 15 years of professional experience with Duke Energy in various
16 accounting and finance roles. I was named to my current position as Director of
17 Accounting in January 2022.

18 **Q. PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS DIRECTOR OF**
19 **ACCOUNTING.**

20 A. I am responsible for ensuring that the accounting impacts of the Company’s
21 business activities and transactions are understood and properly recorded to the
22 general ledger and that such accounting impacts, as well as any applicable
23 related variances to budget and prior year results, are clearly explained and

1 properly presented in internal and/or external financial reports. I am also
2 responsible for ensuring that the accounting team performs its tasks in an
3 accurate and timely manner in accordance with published deadlines while
4 strictly adhering to Company policies and controls.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS**
6 **COMMISSION?**

7 A. Yes. I testified in DEC's most recent North Carolina rate case in Docket No. E-
8 7, Sub 1214.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. My testimony will cover the financial position of DEC at December 31, 2021,
11 and the actual results of the Company's operations for the twelve months ending
12 December 31, 2021 (the "Test Period"). The Company's financial position and
13 operating results and the actual data required under Rule R1-17(b) of the North
14 Carolina Utilities Commission's (the "Commission") Rules and Regulations are
15 set forth in Speros Exhibit 1. I discuss the amount of investor funds for
16 operations included in rate base, calculated based on the Company's lead-lag
17 study. A summary of the calculation of investor funds for operations is presented
18 in Speros Exhibit 2. I provide the amount of the Company's nuclear
19 decommissioning costs allocated to the Company's North Carolina retail
20 electric operations and explain that the Company is not including any
21 decommissioning expense in its rate request based on the results of the most
22 recent TLG Services, Inc. ("TLG Services") Nuclear Decommissioning Cost
23 Analyses and the Company's projected nuclear decommissioning trust fund

1 balances. I also discuss the amount of DEC's depreciation expense based on the
2 Company's 2021 depreciation study (the "Depreciation Study"), filed in this
3 docket as Spanos Exhibit 1. I provide as Speros Exhibit 3 the Decommissioning
4 Cost Estimate Study prepared by 1898 & Co., a division of Burns and
5 McDonnell, described later in my testimony. I provide the certification, on
6 behalf of DEC, that the Company's Application does not include costs for
7 lobbying, political or promotional advertising, political contributions, or
8 charitable contributions, in accordance with recent revisions to Commission
9 Rules R12-12 and R12-13. Additionally, I support the calculation of DEC's bad
10 debt expense, which is part of the Company's recovery of certain costs related
11 to the COVID-19 pandemic that were deferred pursuant to the Commission's
12 *Order Approving Deferral Request* issued in Docket No. E-7, Sub 1241
13 ("COVID Deferral Order"). Finally, I discuss the proposed accounting entries
14 for decoupling true-up entries per the Commission's filing requirements
15 specific to the Decoupling Ratemaking Mechanism.

16 **Q. WERE SPEROS EXHIBITS 1 - 3 PREPARED OR PROVIDED HEREIN**
17 **BY YOU, UNDER YOUR DIRECTION AND SUPERVISION?**

18 A. Speros Exhibits 1 and 2 were prepared under my direction and supervision.
19 Speros Exhibit 3 was prepared by 1898 & Co. and reviewed by me.

20 **Q. ARE YOU FAMILIAR WITH THE ACCOUNTING PROCEDURES**
21 **AND BOOKS OF ACCOUNT OF DEC?**

22 A. Yes. The books of account of DEC follow the Uniform System of Accounts
23 prescribed by the Federal Energy Regulatory Commission ("FERC"). This

1 Uniform System of Accounts has been adopted by the Commission and is
2 followed by the investor-owned utilities subject to its jurisdiction.

3 **Q. WHAT STEPS DOES THE COMPANY TAKE TO ENSURE THAT ITS**
4 **BOOKS AND RECORDS ARE ACCURATE AND COMPLETE?**

5 A. DEC maintains and relies upon an extensive system of internal accounting
6 controls and audits by both internal and external auditors. The system of internal
7 accounting controls provides reasonable assurance that all transactions are
8 executed in accordance with management's authorization and are recorded
9 properly.

10 The system of internal accounting controls is reviewed annually, tested,
11 and documented by the Company to provide reasonable assurance that amounts
12 recorded on the books and records of the Company are accurate and proper. In
13 addition, independent certified public accountants perform an annual audit to
14 provide assurance that internal accounting controls are operating effectively and
15 that the Company's financial statements are materially accurate.

16 **II. FINANCIAL POSITION AND RESULTS**

17 **Q. PLEASE DESCRIBE WHAT IS PRESENTED ON SPEROS EXHIBIT 1.**

18 A. Speros Exhibit 1 sets forth the Company's financial statements. Pages 1 and 2
19 contain the Company's Balance Sheet as of December 31, 2021. Page 3 is the
20 Company's Income Statement for the twelve months ending December 31,
21 2021. Page 4 is the Company's Statement of Capitalization at December 31,
22 2021. Certain information shown on Speros Exhibit 1 is also included in Exhibit
23 C to the Company's Application.

1 **Q. ARE THE CAPITAL EXPENDITURES AND OPERATING EXPENSES**
2 **REPRESENTED ON SPEROS EXHIBIT 1 ACCURATE?**

3 A. Yes. An integral part of the Company's system of internal accounting controls
4 includes various budgeting, planning, and review procedures to establish and
5 monitor the capital and operating budgets, as well as actual expenditures.

6 **III. INVESTOR ADVANCED FUNDS**

7 **Q. PLEASE EXPLAIN SPEROS EXHIBIT 2.**

8 A. Speros Exhibit 2 shows the calculation of the Company's North Carolina retail
9 amount for investor funds invested in operations. This Exhibit applies the
10 revenue lags and expense leads to the applicable components of the Test Year
11 cost of service per books as allocated to the Company's North Carolina retail
12 operations. The resulting working capital requirement for investor funds for
13 North Carolina retail operations in the amount of \$122.9 million shown on
14 Speros Exhibit 2 is included as a component of working capital as shown in
15 Column 2, Line 1 on Q. Bowman Exhibit 2, Page 4.4. This amount is derived
16 from the detailed lead-lag study performed by Ernst and Young and approved
17 in the Commission's *Order Accepting Stipulations, Granting Partial Rate*
18 *Increase, and Requiring Customer Notice* issued on March 31, 2021 in Docket
19 No. E-7, Sub 1214. This detailed lead-lag study was submitted in Item 14 of the
20 E-1 that is a part of this filing. The results of the lead-lag study were applied to
21 the updated Test Year cost of service to produce the per books cash working
22 capital requirement requested in this case.

1 **Q. WHAT IS THE PURPOSE OF A LEAD-LAG STUDY?**

2 A. The purpose of a lead-lag study is to provide a measure of the amount of
3 investor funds used to sustain utility operations from the time expenditures are
4 made until the time payment is received. Generally, a utility provides service
5 prior to receipt of payment from customers, and there is also a delay in payment
6 for goods and services acquired by the utility. A lead-lag study is used to analyze
7 transactions throughout the year to determine the number of days between the
8 time services are rendered and payment is received (revenue lag), and the
9 number of days between the time expenditures are incurred and payment is
10 made for such services (expense or payment lead). In some instances, revenue
11 may be received prior to payment for the related expense (*i.e.*, a net lead or
12 alternatively a negative net lag). The revenue lag is compared to the expense
13 lead and the net lag is applied to each category of cost of service to determine
14 DEC's cash working capital requirements.

15 **IV. NUCLEAR DECOMMISSIONING**

16 **Q. WHAT AMOUNT OF NUCLEAR DECOMMISSIONING EXPENSE IS**
17 **INCLUDED IN DEC'S PER BOOKS AMOUNT FOR DEPRECIATION**
18 **EXPENSE?**

19 A. Currently, DEC is not collecting any funds from North Carolina customers for
20 decommissioning of nuclear units and, therefore, the per books amount of
21 nuclear decommissioning expense included in DEC's cost of service is \$0 in
22 the Test Period.

On August 2, 2019, pursuant to the Commission's November 3, 1998 *Order Approving Guidelines* in Docket No. E-100, Sub 56, DEC filed its Decommissioning Cost and Funding Report ("DC&F Report").¹ The DC&F Report indicated no additional funding was necessary for nuclear decommissioning of DEC's nuclear fleet based on updated Cost Analyses from TLG Services that were filed with the Commission in 2019, as well as economic assumptions at that point in time. As a result, DEC is not seeking to collect an expense provision in cost of service for nuclear decommissioning costs as part of this rate case proceeding.

V. DEPRECIATION RATES

Q. PLEASE EXPLAIN THE DEPRECIATION RATES SHOWN ON Q. BOWMAN EXHIBIT 2, PAGE 4.2.

A. The depreciation rates shown on Page 4.2 of Q. Bowman Exhibit 2 are the depreciation rates from the Depreciation Study as of December 31, 2021 that is being filed in this docket. The Depreciation Study was prepared by Gannett Fleming Valuation and Rate Consultants, LLC and is discussed in more detail by Witness John Spanos. Spanos Exhibit 1 is the complete Depreciation Study. Estimates for final decommissioning costs at steam, hydraulic, and other production plants were obtained from the Decommissioning Cost Estimate Study prepared by 1898 & Co., an external engineering firm. The study is included as Speros Exhibit 3.

¹ On September 12, 2019, DEC filed a revised version of the DC&F Report to correct an error.

1 The Company believes that these depreciation rates are reasonable for
2 use in this proceeding.

3 **VI. COMMISSION RULE R12-13 CERTIFICATION**

4 **Q. WHAT IS THE COMMISSION RULE R12-13 CERTIFICATION**
5 **REQUIREMENT?**

6 A. Commission Rule R12-13 requires a utility filing a rate case application to
7 certify to the Commission that the utility's application does not include certain
8 prohibited costs. Specifically, Rule R12-13(a) requires that in every application
9 for a change in rates, a utility certify in its pre-filed testimony that its application
10 does not include costs for lobbying, political or promotional advertising,
11 political contributions, or charitable contributions.

12 **Q. WHAT IS THE ORIGIN OF THE COMMISSION RULE R12-13**
13 **CERTIFICATION REQUIREMENT?**

14 A. On August 10, 2021, the Commission issued its *Order Adopting Amendments*
15 *to Commission Rules R12-12 and R12-13* in Docket No. M-100, Sub 150
16 ("Order"). The Order amended Commission Rules R12-12 and R12-13 to
17 clarify the rules preventing public utilities from recovering from customers
18 expenditures for lobbying, political or promotional advertising, political
19 contributions, or charitable contributions. The revisions to Rule R12-13
20 included, among other things, a requirement that a public utility certify to the
21 Commission in its pre-filed testimony that the utility's application for a change
22 in rates does not include any expenditures for lobbying, political or promotional
23 advertising, political contributions, or charitable contributions.

1 **Q. HAS THE COMPANY COMPLIED WITH THE CERTIFICATION**
2 **REQUIREMENT AS SET FORTH IN COMMISSION RULE R12-13?**

3 A. Yes. On behalf of the Company, I hereby certify that the Company's cost of
4 service in its Application does not include any expenditures for lobbying,
5 political or promotional advertising, political contributions, or charitable
6 contributions.

7 **Q. HOW HAS THE COMPANY ENSURED THAT PROHIBITED COSTS**
8 **UNDER COMMISSION RULE R12-13 ARE NOT INCLUDED IN ITS**
9 **APPLICATION?**

10 A. Expenditures for lobbying, political or promotional advertising, political
11 contributions, and charitable contributions are recorded below-the-line, are not
12 in the Company's cost of service, and are not sought to be recovered from
13 customers, but rather are paid by shareholder dollars. Before filing its
14 Application, the Company performed additional reviews of its cost of service
15 to ensure that prohibited costs under Commission Rule R12-13 are not included
16 in its Application. Specifically, prior to filing this rate case, the Company took
17 preventive measures to review underlying cost data in particular accounts where
18 errors could likely occur. The Company used a combination of data analytics to
19 electronically scan source data and manual reviews of detail transactions to
20 identify expenses that it deemed were not appropriate for cost recovery.

1 **Q. DID THE COMPANY TAKE ANY ADDITIONAL PRECAUTIONS TO**
2 **ENSURE THAT PROHIBITED COSTS UNDER COMMISSION RULE**
3 **R12-13 WERE NOT INCLUDED FOR RECOVERY FROM ITS**
4 **ELECTRIC RETAIL CUSTOMERS?**

5 A. Yes. As explained in the testimony of Witness Quynh P. Bowman, as an
6 additional precaution, the Company elected to remove an additional \$0.9
7 million of system electric operating expenses from allocation to North Carolina
8 retail customers in case any prohibited costs under Commission Rule R12-13
9 or other potential mischarges were discovered during the course of this
10 proceeding. Any such mischarges that are discovered would be deducted
11 against this amount, and, if any amount of \$0.9 million remains after any further
12 mischarges are netted against it, the remaining balance will continue to be
13 excluded from recovery for the benefit of customers.

14 **Q. IS THE COMPANY SEEKING TO RECOVER COSTS BASED ON ANY**
15 **OF THE EXCEPTIONS TO RULES R12-12 OR R12-13?**

16 A. Yes. Rule R12-13(a) states that “if the utility seeks to recover costs based on an
17 exception under Rule R12-12(g), or under subsections (d) or (e) of this Rule,
18 the utility shall include prefiled testimony stating the amount claimed and the
19 basis for the exception.”

20 Rule R12-12(g) provides that “political advertising” and “promotional
21 advertising” as defined in the Rule do not include certain categories of
22 advertising, which generally pertain to information that is required to be
23 provided by law and other necessary or helpful information that the Company

1 must convey to customers.² Consistent with past practice, the Company is
2 seeking to recover costs that fall within these categories. As shown in the
3 Company's response to E-1, Item 16 filed with the Application in this case,
4 DEC has recorded certain advertising costs that do not qualify as "political
5 advertising" or "promotional advertising" above-the-line as general advertising
6 expenses. The total system amount in this general advertising account is \$0.3
7 million, and includes items like bill inserts, customer notices, safety notices, job
8 postings, and other items that fall within the categories listed in Rule R12-12(g).

9 Rule R12-13(e) provides that expenditures made by a utility for:

10 lobbying activities directed at executive branch agencies or
11 designated individuals at executive branch agencies may be
12 considered by the Commission to represent reasonable operating
13 expenses, in whole or in part in the Commission's discretion, to
14 the extent, but only to the extent, that it can be established, on a
15 case-by-case basis, that — (1) the lobbying activity is conducted
16 primarily for the benefit of the using and consuming public, or
17 (2) the lobbying activity is conducted primarily for the purpose
18 of enhancing the ability of the public utility to provide efficient
19 and reliable service to its customers.

20 The Company does not believe it has included in its cost of service any expenses
21 that fall within this exception. Although the Company does seek to recover non-
22 lobbying expenses associated with registered lobbyists in accordance with its
23 past practice, as further explained below, these costs are not related to lobbying

² Rule R12-12(g): "The terms 'political advertising' and 'promotional advertising' as defined hereinabove do not include — (1) advertising which informs electric, or natural gas consumers how they can conserve energy or can reduce peak demand for energy, or water or sewer consumers how they can conserve water, (2) advertising required by law or regulation, including advertising required under part 1 of title II of the National Energy Conservation Policy Act, (3) advertising regarding service interruptions, safety measures (including utility location services), or emergency conditions, (4) advertising concerning employment opportunities with such public utility, (5) advertising which promotes the use of energy efficient appliances, equipment or services, or appliances, equipment, or services that conserve water, or (6) any explanation or justification of existing or proposed rate schedules or billing practices or notifications of hearings thereon."

1 activities directed at executive branch agencies or designated individuals at
2 executive branch agencies, and therefore do not require the Company to claim
3 an exception to Rule R12-12(e) in order to recover.

4 Lobbying expenses recorded in FERC Account 426.4 include
5 expenditures for the purpose of influencing public opinion with respect to the
6 election or appointment of public officials, referenda, legislation, or ordinances
7 (either with respect to possible adoption of new referenda, legislation or
8 ordinances or repeal or modification of existing referenda, legislation or
9 ordinances) or approval, modification or revocation of franchises; or the
10 purpose of influencing the decisions of public officials. Expenditures that relate
11 to employees who are registered lobbyists and fall within this definition are
12 recorded to FERC Account 426.4. Lobbying expenses recorded in FERC
13 Account 426.4 are below-the-line, and thus not included in rates, as shown in
14 E-1, Item 18(a).

15 The remaining labor charges associated with these personnel – i.e., those
16 that do not fall within the definition of lobbying – are recorded to FERC
17 Account 920, which is “above-the-line,” as shown in E-1, Item 18(a). Examples
18 of items in this category include coordinating and meeting with internal
19 departments; conducting training; communicating Company positions to
20 employees; assisting legislative officials with solving any constituent
21 inquiries/issues; and general office management support, such as coordinating
22 meetings, travel arrangements, and training events, managing executive
23 calendars, and tracking invoices, time and expense coding. Again, the Company

1 believes these are non-lobbying costs, and thus, that it does not need to claim
2 an exception under Rules R12-13(a) or R12-12(e) for these expenses.

3 **VII. BAD DEBT CALCULATION**

4 **Q. WHAT IS “BAD DEBT” EXPENSE?**

5 A. The Uniform System of Accounts prescribed by FERC defines uncollectible
6 accounts (FERC Account 904) as amounts for losses from uncollectible utility
7 revenues – i.e., bad debt expenses. The Financial Accounting Standards Board
8 defines this concept as current expected credit losses and requires an entity to
9 recognize an estimate for current expected credit losses for financial
10 instruments as of the end of a reporting period. In other words, accounting rules
11 require DEC to record an expense on its income statement that estimates
12 amounts that will ultimately be charged off. It is important to note that the
13 estimated amounts and actual charge-offs are recorded on the Company’s
14 accounting books and records for bad debt expense. These recorded expenses
15 are routinely included in test year expenses used in setting rates in general rate
16 cases.

17 **Q. WHAT BAD DEBT EXPENSE IS THE COMPANY SEEKING TO**
18 **RECOVER IN ACCORDANCE WITH THE COVID DEFERRAL**
19 **ORDER?**

20 A. On March 10, 2020, Governor Roy Cooper issued Executive Order No. 116,
21 declaring a State of Emergency in North Carolina to coordinate the response
22 and protective actions to prevent the spread of COVID-19. The Company took
23 swift action in response to the pandemic to help mitigate the impact of economic

1 hardship to customers, including filing a request with the Commission on
2 March 19, 2020 to waive certain fees and disconnections for non-payment. The
3 Commission approved the Company's request in its March 20, 2020 *Order*
4 *Granting Additional Temporary Waivers of Specific Provisions of Commission*
5 *Rules* in Docket Nos. E-7, Sub 1236, E-2, Sub 1228 and G-9, Sub 767. On
6 March 19, 2020, the Commission issued its *Order Suspending Utility*
7 *Disconnections for Non-Payment, Allowing Reconnection, and Waiving Certain*
8 *Fees* in Docket No. M-100, Sub 158. Subsequently, on March 31, 2020,
9 Governor Cooper issued Executive Order 124 that banned late payment fees
10 and utility disconnections due to non-payment. DEC has complied with all of
11 these orders.

12 As a result of the moratorium on disconnects and late payment fees,
13 DEC has seen the number and amounts of past due accounts outstanding
14 increase, leading to increased bad debt expense. In accordance with the COVID
15 Deferral Order, the Company has deferred the difference between its actual
16 recorded bad debt expense and the amount of bad debt expense included in rates
17 resulting from the economic realities of the pandemic.

18 **Q. HOW DID THE COMPANY CALCULATE COVID-19 RELATED BAD**
19 **DEBT EXPENSE?**

20 A. Bad debt expense related to COVID-19 is calculated as the total amount of
21 incremental bad debt expense exceeding the amount already being recovered in
22 base rates from the period starting in March 2020 through the July 31, 2023
23 capital cut-off in this case. The North Carolina amount being recovered in base

1 rates is \$12.6 million, and the total North Carolina incremental bad debt
2 expense exceeding the amount already being recovered in base rates from the
3 period starting March 2020 through July 31, 2023 is projected to be \$100.9
4 million, which is included in the amounts deferred pursuant to the COVID
5 Deferral Order that the Company is seeking to recover in this case. The
6 Company is also proposing to continue to defer incremental bad debt expense
7 related to COVID-19 beginning August 1, 2023.

8 **Q. WHY IS THE COMPANY PROPOSING TO CONTINUE THE**
9 **DEFERRAL OF BAD DEBT EXPENSE RELATED TO COVID-19?**

10 A. The Company continues to incur impacts to business operations resulting from
11 the pandemic. For example, the Company has relaxed the usual timelines for
12 payment plans, including offering extensions on already past-due balances.
13 While this is helpful to customers, this creates a long delay in the unfortunate
14 circumstance where a customer may be disconnected and ultimately charged
15 off to expense. Charge-offs related to COVID-19 delinquencies are still
16 occurring and will continue going forward.

17 **VIII. DECOUPLING ACCOUNTING ENTRIES**

18 **Q. DO YOU SUPPORT ANY OF THE FILING REQUIREMENTS**
19 **SPECIFIC TO THE COMPANY'S PERFORMANCE-BASED**
20 **REGULATION APPLICATION?**

21 A. Yes. The Commission's filing requirements specific to the Decoupling
22 Ratemaking Mechanism require the Company to provide "[t]he proposed
23 method for calculating and deferring differences realized between the estimated

1 and actual revenue per customer, including the proposed accounting entries for
2 decoupling true-up entries.” See Commission Rule R1-17B(d)(1)e. Witness
3 Kathryn Taylor provides the proposed method for calculating and deferring
4 differences between the estimated and actual revenue per customer, and I supply
5 the proposed accounting entries for decoupling true-up entries.

6 The monthly journal entries relating to decoupling would appear as
7 follows, and any true-up would follow the same normal monthly entry
8 depending on the direction.

9 Margin Decoupling Entry:

10 Over-collection/Regulatory Liability:

11 Debit 440 – Residential Revenues

12 Credit 254 – Regulatory Liability Margin Decoupling

13 Interest on Over-collections/Regulatory Liability:

14 Debit 431 – Interest Expense Margin Decoupling

15 Credit 254 – Regulatory Liability Margin Decoupling

16 Under-collection/Regulatory Asset:

17 Debit 182 – Regulatory Asset Margin Decoupling

18 Credit 440 – Residential Revenues

19 Return on Under-collections/Regulatory Asset:

20 Debit 182 – Regulatory Asset Margin Decoupling

21 Credit 431 – Debt Return Margin Decoupling

1 Credit 421 – Equity Return³ Margin Decoupling

2 IX. CONCLUSION

3 Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

4 A. Yes.

³ For GAAP purposes the equity return is reserved during the deferral period and then amortized during the collection period. These entries have no impact on above-the-line regulatory accounting or reporting. The GAAP only reserve entry debits 421 – Equity Return Margin Decoupling and credits 182 – Contra Regulatory Asset Margin Decoupling. The inverse of this entry occurs when amortized during the collection period.

Duke Energy Carolinas, LLC
Balance Sheet
As of December 31, 2021

Speros Exhibit 1
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Line No.		Amount
	ASSETS	
	UTILITY PLANT	
1	Utility Plant (101-106,114)	\$ 48,083,730,849
2	Construction Work in Progress (107)	2,074,674,520
3	Total Utility Plant	50,158,405,369
4	(Less) Accum Prov for Depr Amort Depl (108, 110, 111, 115)	18,092,066,058
5	Net Utility Plant	32,066,339,311
6	Nuclear Fuel in Process of Ref, Conv, Enrich, and Fab (120 1)	323,922,465
7	Nuclear Materials and Assemblies - Stock Account (120 2)	1
8	Nuclear Fuel Assemblies in Reactor (120 3)	1,072,507,768
9	Spent Nuclear Fuel (120 4)	466,390,240
10	(Less) Accum Provision for Amort of Nuclear Fuel Assemblies (120 5)	1,070,439,997
11	Net Nuclear Fuel	792,380,476
12	Total Utility Plant, Net	32,858,719,788
13	Utility Plant Adjustments (116)	1,012,652
	OTHER PROPERTY & INVESTMENTS	
14	Non Utility Property (121)	142,257,197
15	(Less) Accum Prov for Depr and Amort (122)	51,806,699
16	Investment in Subsidiary Companies (123 1)	13,114,590
17	Other Investments (124)	95,984
18	Other Special Funds (128)	6,221,233,397
19	Long Term Portion of Derivative Assets - Hedges (176)	48,154,229
20	Total Other Property and Investments	6,373,048,698
	CURRENT AND ACCRUED ASSETS	
21	Cash (131)	7,123,317
22	Working Funds (135)	300,000
23	Customer Accounts Receivable (142)	651,279,578
24	Other Accounts Receivable (143)	192,204,348
25	(Less) Accum Prov for Uncollectible Account - Credit (144)	41,521,659
26	Note Receivable from Associated Companies (145)	1,186,050
27	Accounts Receivable from Associated Companies (146)	198,841,223
28	Fuel Stock (151)	237,479,722
29	Plant Material and Operating Supplies (154)	742,724,654
30	Other Materials and Supplies (156)	(73,366)
31	Allowances (158 1 and 158 2)	73,571,212
32	Store Expenses Undistributed (163)	46,246,014
33	Prepayments (165)	31,159,798
34	Interest and Dividends Receivable (171)	529,304
35	Rents Receivable (172)	356,340
36	Accrued Utility Revenue (173)	273,671,078
37	Miscellaneous Current and Accrued Assets (174)	8,633,432
38	Derivative Instrument Assets Hedges (176)	131,569,284
39	(Less) Long Term Portion of Derivative Instruments Assets - Hedges	48,154,229
40	Total Current and Accrued Assets	2,507,126,100
	DEFERRED DEBITS	
41	Unamortized Debt Expenses (181)	66,290,421
42	Unrecovered Plant and Regulatory Study Costs (182 2)	302,153,769
43	Other Regulatory Assets (182 3)	3,225,787,621
44	Preliminary Survey and Investigation Charges (183)	13,210,991
45	Clearing Accounts (184)	896,038
46	Miscellaneous Deferred Debits (186)	748,143,187
47	Unamortized Loss on Reaquired Debt (189)	41,138,005
48	Accumulated Deferred Income Taxes (190)	3,461,784,968
49	Total Deferred Debits	7,859,405,000
50	Total Assets	\$ 49,599,312,238

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Jan 19 2023

Duke Energy Carolinas, LLC
Balance Sheet
As of December 31, 2021

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Line No.		Amount
	CAPITALIZATION AND LIABILITIES	
	PROPRIETARY CAPITAL	
1	Other Paid In Capital (208-211)	\$ 3,725,067,850
2	Retained Earnings (215, 215 1, 216)	10,169,724,576
3	Unappropriated Undistributed Subsidiary Earnings (216 1)	4,810,163
4	Accumulated Other Comprehensive Income (219)	(6,455,552)
5	Total Proprietary Capital	<u>13,893,147,037</u>
	LONG-TERM DEBT	
6	Bonds (221)	11,656,738,919
7	Advances from Associated Companies (223)	300,000,000
8	Other Long Term Debt (224)	860,271,405
9	Unamortized Premium on Long-Term Debt (225)	2,963,512
10	(Less) Unamortized Discount on LT Debt (226)	23,669,305
11	Total Long Term Debt	<u>12,796,304,531</u>
	OTHER NONCURRENT LIABILITIES	
12	Obligations Under Capital Leases (227)	361,697,908
13	Accumulated Provision for Property Insurance (228 1)	139,718,367
14	Accumulated Provision for Injuries and Damages (228 2)	503,719,459
15	Accumulated Provision for Pensions and Benefits (228 3)	37,929,750
16	Accumulated Miscellaneous Operating Provisions (228 4)	807,716
17	Accumulated Provision for Rate Refund (229)	5,178,059
18	LT Portion of Derivative Instrument Liabilities - Hedges	1,444,109
19	Asset Retirement Obligations (230)	5,301,158,092
20	Total Other NonCurrent Liabilities	<u>6,351,653,460</u>
	CURRENT AND ACCRUED LIABILITIES	
21	Accounts Payable (232)	958,467,951
22	Notes Payable to Associated Companies (233)	226,415,000
23	Accounts Payable to Associated Companies (234)	306,555,280
24	Customer Deposits (235)	68,369,287
25	Taxes Accrued (236)	253,086,975
26	Interest Accrued (237)	124,260,511
27	Tax Collections Payable (241)	16,535,914
28	Miscellaneous Current and Accrued Liabilities (242)	508,975,825
29	Obligations Under Capital Leases - Current (243)	27,575,734
30	Derivative Instrument Liabilities (244)	8,633,432
31	Derivative Instrument Liabilities - Hedges (245)	13,192,701
32	(Less) LT Portion of Derivative Instrument Liabilities - Hedges	1,444,109
33	Total Current and Accrued Liabilities	<u>2,510,624,501</u>
	DEFERRED CREDITS	
34	Accumulated Deferred Investment Tax Credits (255)	287,006,804
35	Other Deferred Credits (253)	882,014,410
36	Other Regulatory Liabilities (254)	5,783,960,664
37	Accumulated Deferred Income Taxes Oth Property (282)	4,764,247,775
38	Accum Deferred Income Tax Other (283)	2,330,353,056
39	Total Deferred Credits	<u>14,047,582,709</u>
40	Total Capitalization and Liabilities	<u><u>\$ 49,599,312,238</u></u>

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Duke Energy Carolinas, LLC
Income Statement
For The Test Period (12 Months) Ended December 31, 2021

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Line No.	Amount
1 Operating Revenues (400)	\$ 7,100,634,161
Operating Expenses	
2 Operation Expenses (401)	2,796,367,900
3 Maintenance Expenses (402)	517,128,775
4 Depreciation Expenses (403)	1,173,115,743
5 Depreciation Expense for Asset Retirement Costs (403.1)	4,435,886
6 Amortization and Depletion of Utility Plant (404-405)	71,285,844
7 Amortization of Prop Loss, Unrecov Plant and Reg Strudy Cost (407)	45,427,295
8 Regulatory Debits (407.3)	240,590,871
9 (Less) Regulatory Credits (407.4)	28,532,715
10 (Less) Gains from Disposition of Utility Plant (411.6)	1,161
11 Losses from Disposition Utility Plant (411.7)	699,120
12 Accretion Expense (411.10)	1,440,319
13 Total Depreciation and Amortization Expenses	1,508,461,202
14 Taxes Other Than Income Taxes (408.1)	320,409,756
15 Total Operating Expense Before Income Taxes	5,142,367,633
16 Income Taxes Federal (409.1)	252,908,008
17 Income Tax - Other (409.1)	27,717,829
18 Provision for Deferred Income Taxes (410.1)	1,606,673,593
19 (Less) Provision for Deferred Income Tax Credit (411.1)	1,810,725,377
20 Investment Tax Credit Adjustment Net (411.4)	(3,959,622)
21 Total Income Taxes On Operating Income	72,614,431
22 Total Utility Operating Expenses	5,214,982,064
23 Net Utility Operating Income	1,885,652,097
Other Income	
24 (Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	11,733
25 Revenues from Nonutility Operations (417)	43,055,272
26 (Less) Expenses of Nonutility Operations (417.1)	20,106,907
27 Non Operating Rental Income (418)	(4,093,218)
28 Interest and Dividend Income (419)	3,671,900
29 Allowance for Other Funds Under Construction (419.1)	65,129,106
30 Miscellaneous Nonoperating Income (421)	121,318,078
31 Gain On Disposal Of Property (421.1)	2,129,676
32 Total Other Income	211,092,174
Other Income Deductions	
33 Loss on Disposition of Property (421.2)	(423,888)
34 Miscellaneous Amortization (425)	3,001
35 Donations (426.1)	7,227,333
36 Life Insurance (426.2)	(211,481)
37 Penalties (426.3)	521,500
38 Exp. For Certain Civic, Political and Related Activity (426.4)	7,728,674
39 Other Deductions (426.5)	230,840,389
40 Total Other Income Deductions	245,685,528
Taxes Applicable to Other Income and Deductions	
41 Taxes Other than Income Taxes (408.2)	(651,756)
42 Income Taxes - Federal (409.2)	(11,460,948)
43 Income Tax Non Utility (409.2)	(4,337,427)
44 Provision for Deferred Income Taxes (410.2)	11,010,016
45 (Less) Provision for Deferred Income Taxes - Cr (411.2)	16,657,025
46 Total Taxes on Other Income and Deductions	(22,097,140)
47 Net Other Income and Deductions	(12,496,214)
Interest Charges	
48 Total Interest on Long - Term Debt (427)	479,560,490
49 Amortization of Debt Discount and Exp (428)	8,004,083
50 Amortization of Loss on Reaquired Debt (428.1)	6,403,404
51 (Less) Amort. on Premium of Debt-Credit (429)	107,287
52 Interest on Debt to Associated Companies (430)	998,262
53 Other Interest Expense (431)	70,418,380
54 (Less) Allowance for Borrowed Funds Used During Construction - Cr (432)	28,714,347
55 Net Interest Charges	536,562,985
56 Income Before Extraordinary Items	1,336,592,898
57 Net Income	\$ 1,336,592,898

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Duke Energy Carolinas, LLC
Statement of Capitalization
As of December 31, 2021

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Long-Term Debt

<u>Line</u> <u>Number</u>	<u>Description</u>	<u>Rate</u>	<u>Interest</u> <u>Type</u>	<u>Maturity</u> <u>Date</u>	<u>Outstanding</u> <u>Balance</u>	<u>Percent</u> <u>of Total</u>
1	Commercial Paper LTD	0.235%	Floating	03/16/26	300,000,000	
2	First Mortgage Bond	8.950%	Fixed	07/01/27	6,738,919	
3	First Mortgage Bond	6.050%	Fixed	04/15/38	600,000,000	
4	First Mortgage Bond	6.000%	Fixed	01/15/38	500,000,000	
5	First Mortgage Bond	5.300%	Fixed	02/15/40	750,000,000	
6	First Mortgage Bond	2.500%	Fixed	03/15/23	500,000,000	
7	First Mortgage Bond	3.875%	Fixed	03/15/46	500,000,000	
8	First Mortgage Bond	2.950%	Fixed	12/01/26	600,000,000	
9	First Mortgage Bond	3.050%	Fixed	03/15/23	500,000,000	
10	First Mortgage Bond	3.950%	Fixed	03/15/48	500,000,000	
11	First Mortgage Bond	3.350%	Fixed	05/15/22	350,000,000	
12	First Mortgage Bond	3.950%	Fixed	11/15/28	650,000,000	
13	First Mortgage Bond	3.700%	Fixed	12/01/47	550,000,000	
14	First Mortgage Bond	4.250%	Fixed	12/15/41	650,000,000	
15	First Mortgage Bond	4.000%	Fixed	09/30/42	650,000,000	
16	First Mortgage Bond	3.750%	Fixed	06/01/45	500,000,000	
17	First Mortgage Bond	2.450%	Fixed	08/15/29	450,000,000	
18	First Mortgage Bond	3.200%	Fixed	08/15/49	750,000,000	
19	First Mortgage Bond	2.450%	Fixed	02/01/30	500,000,000	
20	First Mortgage Bond	2.550%	Fixed	04/15/31	550,000,000	
21	First Mortgage Bond	3.450%	Fixed	04/15/51	450,000,000	
22	Unsecured Debt	6.000%	Fixed	12/01/28	300,000,000	
23	Unsecured Debt	6.450%	Fixed	10/15/32	350,000,000	
24	Unsecured Debt	6.100%	Fixed	06/01/37	500,000,000	
25	Bond Lease Financing	3.664%	Fixed	12/31/52	381,586,759	
26	Secured Debt - Duke Energy Receivables Financing, LLC	0.871%	Floating	12/13/22	290,277,778	
27	Secured Debt - Duke Energy Receivables Financing, LLC	0.871%	Floating	12/13/22	184,722,222	
28	Gains on Terminated Swaps				3,684,646	
29	Unamortized Debt (Discount)/Premium				(20,705,793)	
30	Total Long Term Debt				\$ 12,796,304,531	
31	Capital Leases				\$ 289,650,592	
32	Total Long Term Debt and Capital Leases				\$ 13,085,955,123	48.5%
Regulatory Common Equity						
33	Other Paid in Capital				\$ 3,725,067,850	
34	Retained Earnings				10,174,534,739	
35	Accumulated Other Comprehensive Income				(6,455,552)	
36	Total Common Equity				\$ 13,893,147,037	51.5%
37	Total Regulatory Capitalization				\$ 26,979,102,160	100.0%

Duke Energy Carolinas, LLC
Cash Working Capital for NC Retail Operations - Lead Lag Summary
For the Test Period Ended December 31, 2021
Dollars in Thousands

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Line No.		NC Retail Jurisdictional Amount [A]	Lead Lag Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag	\$ 4,823,959	40.17	\$ 193,781,373
2	Operation and Maintenance Expense	\$ 2,274,985	32.50	\$ 73,938,507
3	Depreciation and Amortization	1,033,226	0.00	0
4	Taxes Other Than Income Taxes	212,490	180.79	38,415,863
5	Interest on Customer Deposits	5,652	218.40	1,234,302
6	Income Taxes	15,836	521.75	8,262,351
7	Investment of Tax Credit	(2,830)	0.00	0
8	Net Operating Income	1,284,599	23.75	30,509,761
9	Total Requirements (Sum L2 through L8)	<u>\$ 4,823,959</u>	31.58	<u>\$ 152,360,784</u>
10	Revenue Lag Days (L1)		40.17	
11	Requirement Lead Days (L9)		31.58	
12	Net Lag Days (L10 - L11)		8.59	
13	Daily Requirements (Line 9, Col. A divided by 365)			\$ 13,216
14	Cash Working Capital Requirements (L13 x L12)			113,481
15	Working Capital Related to NC Sales Tax			9,397
16	Total Cash Working Capital Requirements			<u>\$ 122,878</u>
17	Calculation of Total Company and Jurisdictional Amounts:			
18	NC Retail: Cash Working Capital allocated at Net Plant Allocator (All - Net Plant - Jur)			68.2877%
19	Total Company Cash Working Capital Requirements (L16 / L18)			\$ 179,942
20	NC Retail Factor			68.2877%
21	SC Retail Factor			0.0000%
22	Total Wholesale Factor			<u>0.0000%</u>
23	Total (Sum L20 through L22)			<u>68.2877%</u>
24	NC Retail Cash Working Capital Requirement (L19 x L20)			\$ 122,878
25	SC Retail Cash Working Capital Requirement (L19 x L21)			-
26	Total Wholesale Cash Working Capital Requirement (L19 x L22)			<u>-</u>
27	Total Company Cash Working Capital Requirement (Sum L24 through L26)			<u><u>\$ 122,878</u></u>