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FILED
NOV 29 2010
Clerk's Office
N.C. Utilities Commission

November 29, 2010

Ms. Renné C. Vance, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

OFFICIAL COPY

RE: Duke Energy Carolinas' Revised Initial Statement
Docket No. E-100, Sub 127

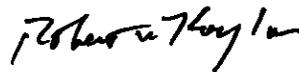
Dear Ms. Vance:

On November 1, 2010, Duke Energy Carolinas, LLC ("Duke Energy Carolinas" or the "Company") filed its Initial Statement and Exhibits in the above-referenced docket. The Company has determined that a modeling error resulted in the need to revise the Company's proposed avoided energy costs. Therefore, I enclose an original and 31 copies of Duke Energy Carolinas' Revised Initial Statement and Revised Exhibits 2 and 3 for filing in the above-referenced matter.

Revised Exhibit 4 is confidential. Accordingly, 17 copies of Revised Exhibit 4 are being filed under seal and should be treated confidentially pursuant to N.C.G.S. 132-1.2 and protected from public disclosure.

If you have any questions, please let me know.

Sincerely,



Robert W. Kaylor

Encls.

cc: All Parties of Record

(ST)
AG
7-Comm
Bennink
Kirby
Watson
Hoyer
Sessions
Ick
Ericson
Jones
Hildrum
Hodge
Gruber
3-legal
3-ACSG
2-EC/RS
3-Elect

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

FILED

DOCKET NO. E-100, SUB 127

NOV 29 2010

Clerks Office
N.C. Utilities Commission

In the Matter of)
Biennial Determination of)
Avoided Cost Rates for Electric)
Utility Purchases from Qualifying)
Facilities - 2010)

DUKE ENERGY CAROLINAS'
REVISED INITIAL STATEMENT



Table of Contents

I.	Procedural History	1
II.	Summary and Description of Exhibits	2
III.	Rate Calculation and Design	4
	A. Methodology	4
	B. Rate Design	6
	C. Proposed Capacity Credits	7
	D. Proposed Energy Credits	9
IV.	Proposed Changes to Schedule PP and Standard Purchased Power Agreement	11
V.	Status of QFs on the Duke System	12

Exhibits

- Exhibit 1 - Current Schedule PP-N(NC) and Schedule PP-H(NC)
- Revised** Exhibit 2 - Proposed Schedule PP-N(NC) and Schedule PP-H(NC)
- Revised** Exhibit 3 - Proposed Rates (Annualized)
- Revised** Exhibit 4 - **(CONFIDENTIAL)** Determination of Proposed Energy Credits and Capacity Credits **(Filed Under Seal)**
- Exhibit 5 - Standard Purchased Power Agreement (Standard PPA)
- Exhibit 6 - 2010 Non-Utility Generation Status Report

1 **I. Procedural History**

2 On May 5, 2010, the North Carolina Utilities Commission (“Commission”) in
3 Docket No. E-100, Sub 127 (“Order”) established the 2010 biennial proceedings pursuant
4 to Section 210 of the Public Utility Regulatory Policies Act of 1978 (“PURPA”) and the
5 Federal Energy Regulatory Commission (“FERC”) regulations implementing those
6 provisions. The Commission’s Order also established this proceeding pursuant to North
7 Carolina General Statute §62-156, which requires the Commission to determine the rates
8 to be paid by electric utilities for power purchased from small power producers as defined
9 in N.C.G.S. §62-3(27a). Under the present federal and state statutory scheme, the
10 Commission examines and establishes the rates and terms for utility purchases from
11 qualifying facilities (“QFs”) under PURPA and from small power producers as defined in
12 N.C.G.S. §62-3(27a) every two years.

13 The Commission’s Order directed Carolina Power & Light Company d/b/a
14 Progress Energy Carolinas, Inc. (“Progress”), Duke Energy Carolinas, LLC (“Duke
15 Energy Carolinas” or the “Company”), Virginia Electric and Power Company d/b/a
16 Dominion North Carolina Power (“NC Power”), and Western Carolina University
17 (“WCU”) to file statements and exhibits, including a set of proposed rates and standard
18 contracts for purchases from QFs. The Commission also determined that it would
19 attempt to resolve all the issues arising in this docket based on a record developed
20 through public witness testimony and verified statements, exhibits and avoided cost
21 schedules.

22 In support of Duke Energy Carolinas’ proposed Schedules PP-N(NC) and PP-
23 H(NC) and Standard Purchased Power Agreement (“Standard PPA”), the Company
24 provides the following Revised Initial Statement and attached exhibits.

25

1 **II. Summary and Description of Exhibits**

2 In this Revised Initial Statement and attached exhibits, Duke Energy Carolinas
3 presents evidence supporting the revision of the Company’s Schedule PP-N(NC), Non-
4 Hydroelectric Qualifying Facilities Purchased Power, and Schedule PP-H(NC),
5 Hydroelectric Qualifying Facilities Purchased Power, to reflect current projections of
6 Duke Energy Carolinas’ avoided capacity and energy costs; to provide that the variable
7 rates will continue to be available until approval of new variable rates in the next biennial
8 avoided cost proceeding; and to make minor clarifying changes to the terms and
9 conditions in the schedules and the Standard PPA.

10 In prior avoided cost proceedings, Duke Energy Carolinas argued that (1) the
11 wholesale market costs of capacity should be used as the basis for QF capacity rates if
12 such purchases represented the lowest cost of acquiring peaking capacity; and (2) the
13 requirement to offer long-term levelized rates should be further limited consistent with
14 PURPA given trends in the electric industry and to reduce the risk to consumers that
15 payments to QFs will exceed Duke Energy Carolinas’ avoided cost over the term of the
16 contract. Although Duke Energy Carolinas continues to believe that these positions are
17 reasonable and appropriate, in light of the Commission’s *Orders Establishing Standard*
18 *Rates and Contract Terms for Qualifying Facilities* in Docket Nos. E-100, Sub 100 and
19 E-100, Sub 96, the Company is not asserting these positions in this proceeding. The
20 Company also asserted in prior proceedings that the Performance Adjustment Factor
21 (“PAF”) should operate as an availability adjustment to increase the avoided capacity
22 rates paid to QFs based upon the availability of the peaking resources the Company
23 would otherwise use to meet its customer peak demand, and therefore, should be based
24 upon the availability of a combustion turbine. Given the Orders cited above, Duke
25 Energy Carolinas does not propose to change the PAFs that have been applied in past

1 proceedings.

2 Duke Energy Carolinas' current Schedule PP-N(NC) and Schedule PP-H(NC),
3 both approved in Docket No. E-100, Sub 117, were previously filed on November 1,
4 2010, as Duke Exhibit 1. Duke Energy Carolinas' proposed Schedule PP-N(NC) and
5 Schedule PP-H(NC) are attached as Revised Duke Exhibit 2.¹ Schedule PP-N(NC) is the
6 Company's avoided cost rate schedule applicable to non-hydroelectric QFs, and Schedule
7 PP-H(NC) is the Company's rate schedule applicable to hydroelectric QFs. Schedule PP-
8 N(NC) and Schedule PP-H(NC) are collectively referred to in this Revised Initial
9 Statement as "Schedule PP."

10 Duke Energy Carolinas has calculated and included in its exhibits variable rates
11 and fixed long-term capacity and energy rates for five (5), ten (10), and fifteen (15) years
12 based on updated avoided cost information. Revised Duke Exhibit 3 shows the proposed
13 rates on an annualized basis.

14 Enclosed in a sealed envelope marked "CONFIDENTIAL" is Revised Duke
15 Exhibit 4, which shows the calculations used in determining the proposed Schedule PP
16 energy and capacity credits. Pursuant to N.C.G.S. §132-1.2, Duke Energy Carolinas
17 requests that the Commission classify this information as confidential and proprietary and
18 protect it from public disclosure. The information discloses the Company's year-by-year
19 estimated cost to produce or procure additional capacity and energy as well as the
20 projected cost of new generation capacity. In order for Duke Energy Carolinas to obtain
21 the most cost effective energy and capacity necessary to meet the needs of its customers,
22 it must protect this information from public disclosure. The Company will make this
23 information available to other parties in this Docket pursuant to an appropriate

¹ Boldfaced, italics text in Revised Duke Exhibit 2 indicates new language, while strikeout text indicates deleted language.

1 confidentiality agreement.

2 Duke Exhibit 5 contains Duke Energy Carolinas' proposed Standard Purchased
3 Power Agreement ("Standard PPA"). Duke Exhibit 6 is the Company's 2010 Non-Utility
4 Generation Status Report.

5 **III. Rate Calculation and Design**

6 **A. Methodology**

7 Duke Energy Carolinas' proposed rates are calculated using the component or
8 "peaker" methodology. The Commission has approved this same methodology for
9 determination of the Company's avoided cost rates in prior avoided cost biennial
10 proceedings. As part of the avoided cost proceeding in Docket E-100, Sub 106, the
11 Commission conducted an evidentiary hearing in which it reexamined the various
12 methodologies for calculating a utility's avoided cost. In its December 19, 2007, *Order*
13 *Establishing Standard Rates and Contract Terms for Qualifying Facilities* ("2007
14 *Order*") in that docket, the Commission concluded that Duke Energy Carolinas (and
15 Progress) should continue the peaker methodology to develop its avoided capacity and
16 energy rates. *2007 Order* at 6. The Commission noted that the peaker method is
17 generally accepted throughout the electric industry to calculate avoided costs based upon
18 the cost of a peaker (i.e., a combustion turbine), plus the marginal running costs of the
19 system (i.e., the highest marginal cost in each hour). "Theoretically, it will also equal the
20 avoided cost of a base load plant, despite the fact that the capital costs of a peaker are less
21 than those of a base load plant." *Id.* at 12. The Commission further concluded that it is
22 not appropriate for the Company to use the proxy unit method. *Id.* at 6. The Commission
23 explained that, "the avoided cost described in the relevant FERC regulations focuses on
24 the utilities' entire generation mix, rather than a single unit." *Id.* at 13. In its May 13,
25 *2009 Order Establishing Standard Rates and Contract Terms for Qualifying Facilities*

1 (“2009 Order”), in Docket No. E-100, Sub 117, the Commission reaffirmed that the use
2 of the peaker methodology was appropriate. *2009 Order* at 6.

3 The component or peaker methodology continues to be an appropriate
4 methodology to use to determine Duke Energy Carolinas’ avoided costs. Consistent with
5 this methodology, the cost of peaking capacity is utilized as the cost basis for the capacity
6 credits, and energy credits are calculated by simulating Duke Energy Carolinas’ system
7 with and without 100 MW of QF capacity and determining the energy cost difference
8 between the simulations.

9 Use of peaking capacity for determination of the capacity credits is consistent
10 with the Company’s planning strategy of total cost minimization. Sources of capacity
11 more capital intensive than peaking capacity must provide sufficient fuel savings in order
12 to justify the additional capital investment. For example, Duke Energy Carolinas will
13 build a base load or intermediate load unit or purchase base load or intermediate load
14 capacity, as opposed to building a peaking unit such as a combustion turbine or
15 purchasing peaking power, only if the expected fuel savings from the base load or
16 intermediate resource are greater than the additional capacity costs of the base load or
17 intermediate resource. This planning strategy implies the avoided cost of capacity and
18 thus the capacity credits applicable to QFs should, at a maximum, reflect the cost of
19 peaking capacity.

20 In calculating its proposed capacity rates, Duke Energy Carolinas incorporated a
21 PAF of 2.00 for the avoided capacity cost calculations for hydroelectric QFs not in excess
22 of five (5) megawatts with no storage capability (Run-of-River Hydro QFs), and a PAF
23 of 1.20 for all other QFs as has been required by the Commission since its *Order*
24 *Establishing Standard Rates and Contract Terms for Qualifying Facilities* in Docket No.
25 E-100, Sub 79.

1 **B. Rate Design**

2 As approved in previous avoided cost proceedings, Schedule PP contains capacity
3 and energy credits that vary depending on whether the QF delivers energy into the
4 transmission or distribution system. Credits based on the point of interconnection to the
5 Company's system more accurately reflect Duke Energy Carolinas' avoided costs
6 because of differences in avoided energy losses for transmission level and distribution
7 level QFs. Capacity credits are applicable to all QF energy supplied during the designated
8 on-peak hours of the day. Energy credits are applicable to all QF energy supplied during
9 the year and vary for the on-peak and the off-peak hours in a day.

10 In this proceeding, Duke Energy Carolinas proposes to continue to offer both the
11 "Option A" and "Option B" set of on-peak hours for all rate options. The traditional
12 Option A set of on-peak hours spreads capacity credits over 4,160 on-peak hours per
13 year. In the 2002-2003 avoided cost proceeding in Docket No. E-100, Sub 96, Duke
14 Energy Carolinas introduced a new set of on-peak and off-peak hours, designated as
15 "Option B" on Duke Exhibit 1. The Option B on-peak and off-peak hours correspond to
16 the times when customer demand and the cost of generation supply is usually highest and
17 utilize the same on-peak and off-peak hours as Duke Energy Carolinas' Optional Power
18 Service, Time of Use (OPT) retail schedule applicable for service to non-residential
19 customers. Using the Schedule OPT hours reduces the number of on-peak hours on
20 Schedule PP during the year compared to the traditional Option A Schedule PP on-peak
21 hours. The Option B set of hours spreads capacity credits over 1,862 on-peak hours per
22 year. Spreading energy and capacity costs over this smaller number of on-peak hours
23 increases on-peak rates on a cents/kWh basis. The result is that QFs choosing Option B
24 need to run substantially fewer hours to receive full capacity credits.

25 For Option A, the on-peak hours are 7:00 a.m. through 11:00 p.m. Monday

1 through Friday. The off-peak hours are all other weekday hours and all Saturday and
2 Sunday hours. The on-peak hours in the on-peak months (defined as the billing months
3 of June through September and December through March) total 2,773, and the on-peak
4 hours in the off-peak months (defined as the billing months of April, May, October, and
5 November) total 1,387.

6 For Option B, the on-peak hours are 1:00 p.m. to 9:00 p.m. Monday through
7 Friday during the Summer Months (defined as June through September) and 6:00 a.m. to
8 1:00 p.m. Monday through Friday during the Non-Summer Months (defined as October
9 through May). All hours on the following holidays are considered off-peak hours: New
10 Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving
11 Day, Day after Thanksgiving, and Christmas Day. The on-peak hours in the Summer
12 Months total 685 and the on-peak hours in the Non-Summer Months total 1,177.

13 **C. Proposed Capacity Credits**

14 The calculation of Duke Energy Carolinas' proposed capacity credits is included
15 in Revised Duke Exhibit 4, which has been filed separately in a sealed envelope marked
16 "CONFIDENTIAL." The capacity credits for both the Variable and Fixed Long-Term
17 Rates are based on the projected cost of peaking capacity. The determination of the
18 avoided cost of capacity and the capacity credit rates for Schedule PP involves several
19 steps:

20 1. The annual cost of peaking capacity for the future years covered by the
21 proposed rates is based upon the Company's current estimated cost in \$/KW
22 of constructing and operating a combustion turbine plant. The estimated cost
23 of capacity used in the calculation assumes delivery into the transmission
24 system.

25 2. Adjustments are made to reflect the PAF as discussed above in this Revised

1 Initial Statement.

2 3. The present value of the projected avoided capacity costs for the various
3 periods is calculated.

4 4. A Marginal Loss Factor adjustment is made to the avoided capacity cost
5 applicable to QFs connecting to either the distribution or transmission system.

6 The avoided losses applied to the annual capacity cost for distribution are the
7 marginal losses that are avoided by the addition of QF capacity. Actual peak
8 load and loss information was used to develop the system loss equation, which
9 was then applied to hourly loads with and without 100 MW of QF capacity.

10 The result is the loss factor for QF capacity that is connected to the
11 distribution system during on-peak and off-peak periods. It represents the
12 losses of the entire transmission system, which are avoided when a QF
13 connects to the distribution system. When a QF connects to the transmission
14 system, only losses related to stepping up voltage to transmission level are
15 avoided relative to the annual avoided capacity cost. The avoided step-up
16 transformer losses are applied to the annual capacity cost.

17 5. The annual levelized² avoided capacity cost is calculated from the adjusted
18 present values of the projected avoided capacity costs for the various periods.

19 Once the annual levelized avoided capacity cost is calculated, the annual capacity
20 cost is allocated on a seasonal and hourly basis to allocate a higher percentage of the cost
21 to on-peak months when such capacity has greater value. For Option A rates, the annual
22 avoided capacity amount is allocated 91% to the on-peak months (billing months of June

² These rates are considered "levelized" because they level out the escalation of estimated future costs at a constant price in each year of the term of the contract. The resulting "levelized rate" is higher than the estimated future costs in the early years of the contract term and is lower than the estimated future costs in the later years of the contract term. Thus, levelized rates incorporate, and lock in, estimated future cost escalation.

1 through September and December through March) and 9% to the off-peak months
2 (billing months of April, May, October, and November). For Option B rates, the annual
3 avoided capacity cost is allocated 79% to the Summer Months (June through September)
4 and 21% to the Non-Summer Months (October through May).

5 The seasonal allocation for Option A rates is consistent with the Company's
6 Schedule PP rates approved in numerous avoided cost proceedings. The seasonal
7 allocation for Option B rates is consistent with the Option B rates approved in previous
8 avoided cost proceedings and is consistent with value weighting observed in market
9 pricing and with the capacity weighting used by Duke Energy Carolinas in evaluating
10 purchased power proposals. The seasonally allocated annual avoided capacity cost is
11 then divided by the applicable seasonal hours as described in Section III.B above to
12 convert the annual capacity cost to a capacity credit rate on a cents/kWh basis. Capacity
13 credits are paid during the on-peak hours of all months.

14 Due to a decrease in the estimated cost of an installed combustion turbine and the
15 associated annual expenses, the proposed variable, five (5) year, ten (10) year, and fifteen
16 (15) year fixed rate capacity credits decreased from the credits in the current Schedule
17 PP. This decrease was offset for the proposed variable and 5 year fixed rate capacity
18 credits and partially offset for the proposed 10 year and 15 year fixed rate capacity
19 credits, due to an increase in the real discount rate for the first three years compared to
20 the real discount rate used in the calculation of the current Schedule PP.

21 **D. Proposed Energy Credits**

22 The calculation of Duke Energy Carolinas' proposed energy credits is included in
23 Revised Duke Exhibit 4, which has been filed separately in a sealed envelope marked
24 "CONFIDENTIAL." The Company's calculation of Schedule PP energy credits uses the
25 same process that has been used in prior biennial avoided cost proceedings. The energy

1 cost projections for the years 2011-2012 are shown in Revised Duke Exhibit 4 for
2 information purposes and to meet Duke Energy Carolinas' filing requirement under
3 Section 210 of PURPA, which provides that utilities submit projections of future avoided
4 energy costs to the state regulatory commission at least every two years (18 CFR
5 292.302).

6 The avoided energy cost estimates are derived by simulating the Duke Energy
7 Carolinas' system with and without the presence of 100 MW of hypothetical QF capacity
8 operating at a 100% capacity factor and then determining the difference in estimated
9 energy costs between the simulations. These resulting avoided energy cost estimates
10 reflect the highest cost of avoidable sources of energy from the Company's own
11 generating resources and from purchased power utilized to meet system load
12 requirements. The avoided energy cost calculation reflects the operation of Duke Energy
13 Carolinas' entire generating system as it currently exists with coal-fired units running at
14 the margin for most hours of the year. Therefore, the energy credits appropriately reflect
15 the costs that the Company can avoid by purchases from a QF.

16 The following steps are used to calculate avoided energy costs for on-peak and
17 off-peak periods applicable to the rate structure:

- 18 1. Simulate the existing generation system including future additions based on
19 Duke Energy Carolinas' forecast of capacity needs to determine the Base
20 Case.
- 21 2. Add 100 MW of free QF capacity and energy available at 100% capacity
22 factor for all on-peak hours to the Base Case. Perform this simulation to
23 determine the On-Peak Case.
- 24 3. Add 100 MW of free QF capacity and energy available at 100% capacity
25 factor for all hours to the Base Case. Perform this simulation to determine the

1 All-Hours Case.

2 4. Calculate avoided energy cost for each year for the on-peak period by
3 subtracting the On-Peak Case from the Base Case and convert to a cents/kWh
4 basis.

5 5. Calculate avoided energy cost for each year for the off-peak period by
6 subtracting the All-Hours Case from the On-Peak Case and convert to a
7 cents/kWh basis.

8 The final steps in the energy credit calculation process are to calculate the present
9 value of the avoided energy costs for the period of time over which each of the rates
10 apply (2 years for the variable rates, 5, 10 and 15 years for the long-term rates) and then
11 calculate the levelized amount for the period using the appropriate current discount rate.
12 The discount rate reflects Duke Energy Carolinas' cost of debt and the approved return
13 on equity. Lastly, the levelized costs are adjusted to include marginal energy losses and
14 for working capital.

15 Primarily due to a decrease in projected natural gas fuel costs, the proposed
16 variable, 5 year, and 10 year Schedule PP energy credits are approximately 2% to 18%
17 lower on an annualized basis than the currently approved Schedule PP credits. This
18 decrease is partially offset for the proposed variable, 5 year, and 10 year Schedule PP
19 energy credits, and is more than offset for the 15 year Schedule PP energy credits, due to
20 an increase in the real discount rate for the first three years compared to the real discount
21 rate used in the calculation of the current Schedule PP and an overall increase in the
22 projected cost of coal.

23 **IV. Proposed Changes to Schedule PP-N(NC) and Schedule PP-H(NC);**
24 **Proposed Standard Purchased Power Agreement**

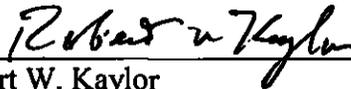
25 The Company's proposed Schedule PP(H) and PP(N) update the Capacity Credits

1 and Energy Credits to reflect the most recent projections of Duke Energy Carolinas'
2 avoided capacity and energy costs. In order to make standard rates available to QFs
3 during the time the next proceeding is pending while recognizing that the new rates will
4 be based upon more current avoided cost projections, Schedule PP(H) and PP(N) reflect
5 that the fixed long-term rates will be available only to customers under contract with the
6 Company on or before November 1, 2012, and the variable rates will remain available
7 until new variable rates are approved. The Commission approved inclusion of this
8 provision in the biennial avoided cost proceeding in Docket No. E-100, Sub 106. *2007*
9 *Order* at 9, 28-29. Customers that execute contracts containing the variable rates after
10 expiration of the long-term rates will have the option to amend their contracts to select
11 one of long-term rates for which they are eligible once new avoided cost rates are
12 approved by the Commission.

13 **V. Status of QFs on the Duke System**

14 The Commission's Order dated June 6, 1989, in Docket No. E-100, Sub 41,
15 requires the utilities to file certain information on the status of QF projects on an annual
16 basis and in the docket of each biennial avoided cost proceeding. Duke Energy
17 Carolinas' 2010 Non-Utility Generation Status Report (dated September 1, 2010), as
18 previously filed in Docket No. E-100, Sub 41B, was previously filed on November 1,
19 2010, as Duke Exhibit 6. Section I of the Status Report includes non-confidential
20 information on contacts and inquiries made by potential QF developers who request rate
21 and contract information. Section II contains information on QFs that have entered into
22 contracts with Duke Energy Carolinas but have not yet begun delivering power to the
23 Company. Section III of the Status Report contains information on all QFs that have
24 entered into contracts with Duke Energy Carolinas and have begun delivering power to
25 the Company.

Respectfully submitted this the 29th day of November, 2010.



Robert W. Kaylor
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ATTORNEYS FOR DUKE ENERGY CAROLINAS

VERIFICATION

STATE OF NORTH CAROLINA)

COUNTY OF MECKLENBURG)

Jane L. McManeus, being first duly sworn, deposes and says: That she is the Director of Rates for DUKE ENERGY CAROLINAS, LLC, applicant in the above-entitled Revised Initial Statement, that she has read the foregoing Revised Initial Statement and knows the contents thereof, and that the same is true of her own knowledge.

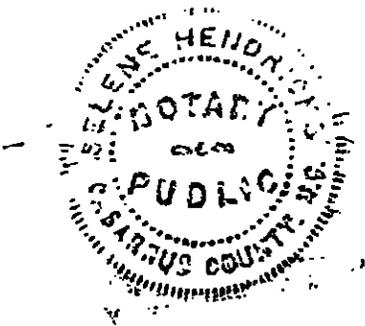
Jane L. McManeus
Jane L. McManeus

Sworn to and subscribed before me

this 24 day of November, 2010.

Selene Hendus
Notary Public

My Commission Expires: 4-26-2011



VERIFICATION

STATE OF NORTH CAROLINA)

COUNTY OF WAKE)

Steve W. Smith, being first duly sworn, deposes and says: That he is the Commercial Execution Renewable Energy Director for DUKE ENERGY CAROLINAS, LLC, applicant in the above-entitled Revised Initial Statement, that he has read the foregoing Revised Initial Statement and knows the contents thereof, and that the same is true of his own knowledge.

Steve W. Smith

Steve W. Smith

Sworn to and subscribed before me

this 24th day of November, 2010.

Maria Edwards

Notary Public



My Commission Expires: 3/2/2013

Duke Energy Carolinas, LLC

Electricity No. 4
North Carolina ~~Ninth Tenth~~ Revised Leaf No. 91
Superseding North Carolina ~~Eighth Ninth~~ Revised Leaf No. 91

**SCHEDULE PP-N (NC)
NON-HYDROELECTRIC QUALIFYING FACILITIES
PURCHASED POWER**

AVAILABILITY (North Carolina only)

Available only to establishments located in the Company's North Carolina service territory which have non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind, and non-animal forms of biomass contracting to sell generating capacity and energy not in excess of five (5) megawatts, or other non-hydroelectric generating facilities contracting to sell generating capacity and energy not in excess of three (3) megawatts, which are interconnected directly with the Company's system and which are qualifying facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

The Fixed Long-Term Rates on this Schedule are available only to Customers under contract with the Company on or before November 1, 2012~~9~~ for delivery of power beginning on or before the earlier of thirty (30) months from the date of execution of the contract or May 1, 2015~~3~~.

Notwithstanding the above, all qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy.

This Schedule is not applicable to a qualifying facility owned by a Customer, or affiliate or partner of a Customer, who sells power to the Company from another facility within one-half mile.

Service necessary for the delivery of the Customer's Net Power into the Company's system under this Schedule shall be furnished solely to the individual contracting Customer in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to the Net Capacity of the Customer's generating facilities which may be operated in parallel with the Company's system. Service necessary to supply the Customer's total load requirements other than Auxiliary Load, and service necessary to supply the Customer's Auxiliary Load when the Customer's generating facilities are not operating, shall be billed on the applicable schedule(s) of the Company. Net Power delivered to the Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of the Company, except at the option of the Company under special terms and conditions expressed in writing in the contract with the Customer.

The obligations of the Company in regard to service under this Schedule are dependent upon its securing and retaining all necessary rights-of-way, privileges, franchises and permits for such service and the Company shall not be liable to any customer or applicant for power in the event it is delayed in, or is prevented from purchasing power by its failure to secure and retain such rights-of-way, rights, privileges, franchises and permits.

TYPE OF SERVICE

Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

- Single-phase, 120/240 volts; or
- 3-phase, 3-wire, 240, 480, 4160, 12470, or 24940 volts, or
- 3-phase voltages other than the foregoing, but only at the Company's option, and provided that the size of the Customer's contract warrants a substation solely to serve that Customer, and further provided that the Customer furnish suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a transformer vault built in accordance with the Company's specifications.

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

RATE * (One of the following two Rate options shall apply):

Option A

- Administrative Charge \$ 8.17 per month
- Facilities Charge (if applicable – Sec Interconnection Facilities Charge) \$ 8.03 per month

Interconnected to Distribution System:

		<u>Fixed Long-Term Rate (a)</u>		
I. Capacity Credit	<u>Variable Rate</u>	<u>5 Years</u>	<u>10 Years (b)</u>	<u>15 Years (b)</u>
a. All On-Peak Energy per On-Peak Month per kWh:	<u>2.76 2.58¢</u>	<u>2.85 2.72¢</u>	<u>2.99 3.03¢</u>	<u>3.12 3.22¢</u>
b. All On-Peak Energy per Off-Peak Month per kWh:	<u>0.55 0.51¢</u>	<u>0.56 0.54¢</u>	<u>0.59 0.60¢</u>	<u>0.62 0.64¢</u>

Duke Energy Carolinas, LLC

Electricity No. 4
North Carolina ~~Ninth Tenth~~ Revised Leaf No. 91
Superseding North Carolina ~~Eighth Ninth~~ Revised Leaf No. 91

SCHEDULE PP-N (NC)
NON-HYDROELECTRIC QUALIFYING FACILITIES
PURCHASED POWER

II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	<u>5.11</u> 6.27¢	<u>5.30</u> 6.33¢	<u>6.11</u> 6.40¢	<u>6.50</u> 6.52¢
b. All Off-Peak Energy per Month per kWh:	<u>3.98</u> 4.79¢	<u>4.07</u> 4.64¢	<u>4.46</u> 4.43¢	<u>4.67</u> 4.47¢

Interconnected to Transmission System:

	Variable Rate	Fixed Long-Term Rate (a)		
		5 Years	10 Years (b)	15 Years (b)
I. Capacity Credit				
a. All On-Peak Energy per On-Peak Month per kWh:	<u>2.69</u> 2.51¢	<u>2.78</u> 2.65¢	<u>2.92</u> 2.95¢	<u>3.04</u> 3.13¢
b. All On-Peak Energy per Off-Peak Month per kWh:	<u>0.53</u> 0.50¢	<u>0.55</u> 0.52¢	<u>0.58</u> 0.58¢	<u>0.60</u> 0.62¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	<u>4.98</u> 6.10¢	<u>5.17</u> 6.15¢	<u>5.95</u> 6.22¢	<u>6.33</u> 6.34¢
b. All Off-Peak Energy per Month per kWh:	<u>3.89</u> 4.67¢	<u>3.98</u> 4.52¢	<u>4.36</u> 4.32¢	<u>4.56</u> 4.36¢

Option B

Administrative Charge	\$ 8.17 per month
Facilities Charge (if applicable – See Interconnection Facilities Charge)	\$ 8.03 per month

Interconnected to Distribution System:

	Variable Rate	Fixed Long-Term Rate (a)		
		5 Years	10 Years (b)	15 Years (b)
I. Capacity Credit				
a. All On-Peak Energy per Summer Month per kWh:	<u>9.70</u> 9.08¢	<u>10.01</u> 9.58¢	<u>10.51</u> 10.67¢	<u>10.97</u> 11.34¢
b. All On-Peak Energy per Non-Summer Month per kWh:	<u>1.50</u> 1.40¢	<u>1.55</u> 1.48¢	<u>1.63</u> 1.65¢	<u>1.70</u> 1.75¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	<u>5.37</u> 6.59¢	<u>5.54</u> 6.63¢	<u>6.36</u> 6.63¢	<u>6.78</u> 6.79¢
b. All Off-Peak Energy per Month per kWh:	<u>4.29</u> 5.20¢	<u>4.40</u> 5.12¢	<u>4.94</u> 5.02¢	<u>5.20</u> 5.07¢

Interconnected to Transmission System:

	Variable Rate	Fixed Long-Term Rate (a)		
		5 Years	10 Years (b)	15 Years (b)
I. Capacity Credit				
a. All On-Peak Energy per Summer Month per kWh:	<u>9.45</u> 8.83¢	<u>9.76</u> 9.32¢	<u>10.25</u> 10.37¢	<u>10.70</u> 11.03¢
b. All On-Peak Energy per Non-Summer Month per kWh:	<u>1.46</u> 1.36¢	<u>1.51</u> 1.44¢	<u>1.58</u> 1.60¢	<u>1.66</u> 1.70¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	<u>5.24</u> 6.41¢	<u>5.40</u> 6.45¢	<u>6.20</u> 6.45¢	<u>6.61</u> 6.60¢
b. All Off-Peak Energy per Month per kWh:	<u>4.19</u> 5.07¢	<u>4.30</u> 4.99¢	<u>4.83</u> 4.90¢	<u>5.08</u> 4.95¢

Notes: (a) The 10-Year and 15-Year Fixed Long-Term Rates are applicable only to those qualifying facilities which are non-hydroelectric qualifying facilities fueled by trash or methane derived from landfills, hog waste, poultry waste, solar, wind, and non-animal forms of biomass contracting to sell capacity and energy not in excess of five (5) megawatts.

(b) Contracts for the 10-Year and 15-Year Fixed Long-Term Rates are subject to a provision making the contract renewable for subsequent term(s) at the option of the Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by arbitration.

* Unless otherwise specified in the Company's contract with the Customer, payment of credits under this Schedule do not convey to the Company the right to renewable energy credits (RECs) associated with the energy delivered to the Company by the Customer.

DEFINITIONS

Nameplate Capacity: The term "Nameplate Capacity" shall mean the maximum continuous electrical output capability of the generator(s) at any time at a power factor of ninety percent (90%).

Duke Energy Carolinas, LLC

Electricity No. 4
North Carolina ~~Ninth Tenth~~ Revised Leaf No. 91
Superseding North Carolina ~~Eighth Ninth~~ Revised Leaf No. 91

**SCHEDULE PP-N (NC)
NON-HYDROELECTRIC QUALIFYING FACILITIES
PURCHASED POWER**

Net Capacity: The term "Net Capacity" shall mean the Nameplate Capacity of the Customer's generating facilities, less the portion of that capacity needed to serve the generating facilities' Auxiliary Load.

Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).

Net Power: The term "Net Power" shall mean the total amount of electric power produced by the Customer's generating facilities less the portion of that power used to supply the generating facilities' Auxiliary Load.

Month: The term "Month" as used in this Schedule means the period intervening between meter readings for the purposes of monthly billing, such readings being taken once per month.

For Option A Rates, the On-Peak Months shall be the billing Months of June through September and December through March. The Off-Peak Months shall be the billing Months of April, May, October and November.

For Option B Rates, the Summer Months are the period from June 1 through September 30. The Non-Summer Months are the period from October 1 through May 31.

DETERMINATION OF ON-PEAK AND OFF-PEAK ENERGY

On-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during On-Peak Period Hours. Off-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during the Off-Peak Period Hours.

For Option A Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 7 A.M. and ending at 11 P.M. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours.

For Option B Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 1 P.M. and ending at 9 P.M. during Summer Months, and beginning at 6 A.M. and ending at 1 P.M. during Non-Summer Months. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours. All hours for the following holidays shall be considered as Off-Peak: New Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.

SAFETY, INTERCONNECTION AND INSPECTION REQUIREMENTS

This Schedule is only applicable for installed generation systems and equipment that comply with the provisions outlined in the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generator Interconnections (hereinafter "Interconnection Procedures") as approved by the North Carolina Utilities Commission.

The Customer must submit an Interconnection Request, which must be accepted by the Company, pay an application fee, comply with the liability insurance requirements of the Interconnection Procedures and enter into a specific contract providing for interconnection to the Company's system.

In order to ensure protection of the Company's system, the Company reserves the right, at its discretion, to inspect the Customer's generation system and equipment at any time upon reasonable notice to the Customer in an effort to ensure compliance with the Interconnection Procedures. The Company reserves the right to disconnect electric service to the premises if the Company determines that the Customer's generation system and equipment is not in compliance with the Interconnection Procedures and is being operated in parallel with the Company's system.

INTERCONNECTION FACILITIES CHARGE

The Customer shall be responsible for providing suitable control and protective devices on his equipment to assure no disturbance to other customers of the Company or to the Company itself, and to protect the Customer's facilities from all loss or damage which could result from operation with the Company's system.

The Company will furnish, install, own, and maintain interconnection facilities as necessary for service under this Schedule including: suitable control and protective devices installed on Company equipment to allow operation of the Customer's generating facilities; metering facilities equipped to prevent reverse registration for the measurement of service under this Schedule; and any other modifications to its system required to serve the Customer under this Schedule as determined by the Company.

Duke Energy Carolinas, LLC

Electricity No. 4
North Carolina ~~Ninth Tenth~~ Revised Leaf No. 91
Superseding North Carolina ~~Eighth Ninth~~ Revised Leaf No. 91

SCHEDULE PP-N (NC)
NON-HYDROELECTRIC QUALIFYING FACILITIES
PURCHASED POWER

All such facilities shall be subject to a monthly charge under the Extra Facilities provisions of the Company's Service Regulations provided, however, that the minimum Extra Facilities charge shall not apply. The Company reserves the right to install at any time facilities necessary for the appropriate measurement of service under this Schedule and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company.

When the installed generating system complies with the North Carolina Interconnection Procedures and no additional interconnection facilities are required, the Facilities Charge shown in the Rate above will be applied to cover the cost of the Company's metering and installation.

DETERMINATION OF CAPACITY CREDITS

Capacity Credits will be based on the energy, in kilowatt-hours, which is supplied to the Company during the On-Peak Period Hours of the Month and will be applied to the Customer's bill in the appropriate Month.

Capacity Credits are available only to qualifying facilities classified as "new capacity" in accordance with the Federal Energy Regulatory Commission's Order No. 69 in Docket No. RM79-55 and in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41.

POWER FACTOR CORRECTION

When the average Monthly power factor of the power supplied by the Customer to the Company is less than 90 percent or greater than 97 percent, the Company may correct the energy, in kilowatt-hours, as appropriate. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company.

PAYMENTS

Credit billings to the Customer shall be payable to the Customer within fifteen (15) days of the date of the bill.

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Customer shall enter into a contract which shall specify the amount of capacity committed for delivery throughout the term of the contract and shall specify one of the following as the initial term and associated rate: variable rate for five (5) years or fixed long-term rate for five (5), ten (10) or fifteen (15) years. Following the initial term, the Variable Rate as from time to time amended by the North Carolina Utilities Commission shall apply to all power purchased by the Company until superseded by a new contract.

The Company reserves the right to terminate the Customer's contract under this Schedule at any time upon written notice to the Customer in the event that the Customer violates any of the terms or conditions of this Schedule or operates its generating facilities in a manner which is detrimental to the Company or any of its Customers or fails to deliver energy to the Company for six (6) consecutive Months. In the event of early termination of a contract under this Schedule, the Customer will be required to pay the Company for costs due to such early termination.

Duke Energy Carolinas, LLC

Electricity No. 4
North Carolina ~~Tenth-Ninth~~ Revised Leaf No. 92
Superseding North Carolina ~~Ninth-Eighth~~ Revised Leaf No. 92

SCHEDULE PP-H (NC)
HYDROELECTRIC QUALIFYING FACILITIES
PURCHASED POWER

AVAILABILITY (North Carolina only)

Available only to establishments located in the Company's North Carolina service territory which have hydroelectric generating facilities owned or operated by small power producers as defined in G.S. 62-3 (27a) contracting to sell generating capacity and energy not in excess of five (5) megawatts which are interconnected directly with the Company's system and which are qualifying facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

The Fixed Long-Term Rates on this Schedule are available only to Customers under contract with the Company on or before November 1, 2012, for delivery of power beginning on or before the earlier of thirty (30) months from the date of execution of the contract or May 1, 2013.

Notwithstanding the above, all qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy.

This Schedule is not applicable to a qualifying facility owned by a Customer, or affiliate or partner of a Customer, who sells power to the Company from another facility within one-half mile.

Service necessary for the delivery of the Customer's Net Power into the Company's system under this Schedule shall be furnished solely to the individual contracting Customer in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to the Net Capacity of the Customer's generating facilities which may be operated in parallel with the Company's system. Service necessary to supply the Customer's total load requirements other than Auxiliary Load, and service necessary to supply the Customer's Auxiliary Load when the Customer's generating facilities are not operating, shall be billed on the applicable schedule(s) of the Company. Net Power delivered to the Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of the Company, except at the option of the Company under special terms and conditions expressed in writing in the contract with the Customer.

The obligations of the Company in regard to service under this Schedule are dependent upon its securing and retaining all necessary rights-of-way, privileges, franchises and permits for such service and the Company shall not be liable to any customer or applicant for power in the event it is delayed in, or is prevented from purchasing power by its failure to secure and retain such rights-of-way, rights, privileges, franchises and permits.

TYPE OF SERVICE

Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

- Single-phase, 120/240 volts; or
- 3-phase, 3-wire, 240, 480, 4160, 12470, or 24940 volts, or
- 3-phase voltages other than the foregoing, but only at the Company's option, and provided that the size of the Customer's contract warrants a substation solely to serve that Customer, and further provided that the Customer furnish suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a transformer vault built in accordance with the Company's specifications

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

RATE * (One of the following two Rate options shall apply):

Option A

Administrative Charge \$ 8.17 per month
Facilities Charge (if applicable – Sec Interconnection Facilities Charge) \$ 8.03 per month
Interconnected to Distribution System:

	Variable Rate	5 Years	Fixed Long-Term Rate (a)	
			10 Years (a)	15 Years (a)
I. Capacity Credit				
a. All On-Peak Energy per On-Peak Month per kWh:				
i. Hydroelectric facilities with no storage capability and no other type generation	4.60 4.30¢	4.75 4.54¢	4.98 5.05¢	5.20 5.37¢
ii. for all other hydroelectric facilities	2.76 2.58¢	2.85 2.72¢	2.99 3.03¢	3.12 3.22¢
b. All On-Peak Energy per Off-Peak Month per kWh:				
i. Hydroelectric facilities with no storage capability	0.91 0.85¢	0.94 0.90¢	0.99 1.00¢	1.03 1.06¢

Duke Energy Carolinas, LLC

Electricity No. 4
 North Carolina ~~Tenth Ninth~~ Revised Leaf No. 92
 Superseding North Carolina ~~Ninth Eighth~~ Revised Leaf No. 92

SCHEDULE PP-H (NC)
 HYDROELECTRIC QUALIFYING FACILITIES
 PURCHASED POWER

and no other type generation				
ii. for all other hydroelectric facilities	<u>0.55</u> 0.51 ¢	<u>0.56</u> 0.54 ¢	<u>0.59</u> 0.60 ¢	<u>0.62</u> 0.64 ¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	<u>5.11</u> 6.27 ¢	<u>5.30</u> 6.33 ¢	<u>6.11</u> 6.40 ¢	<u>6.50</u> 6.52 ¢
b. All Off-Peak Energy per Month per kWh:	<u>3.98</u> 4.79 ¢	<u>4.07</u> 4.64 ¢	<u>4.46</u> 4.43 ¢	<u>4.67</u> 4.47 ¢

Interconnected to Transmission System:

	Variable Rate	Fixed Long-Term Rate (a)		
		5 Years	10 Years (a)	15 Years (a)
I. Capacity Credit				
a. All On-Peak Energy per On-Peak Month per kWh:				
i. Hydroelectric facilities with no storage capability and no other type generation	<u>4.48</u> 4.18 ¢	<u>4.63</u> 4.41 ¢	<u>4.86</u> 4.91 ¢	<u>5.07</u> 5.22 ¢
ii. for all other hydroelectric facilities	<u>2.69</u> 2.51 ¢	<u>2.78</u> 2.65 ¢	<u>2.92</u> 2.95 ¢	<u>3.04</u> 3.13 ¢
b. All On-Peak Energy per Off-Peak Month per kWh:				
i. Hydroelectric facilities with no storage capability and no other type generation	<u>0.89</u> 0.83 ¢	<u>0.91</u> 0.87 ¢	<u>0.96</u> 0.97 ¢	<u>1.00</u> 1.03 ¢
ii. for all other hydroelectric facilities	<u>0.53</u> 0.50 ¢	<u>0.55</u> 0.52 ¢	<u>0.58</u> 0.58 ¢	<u>0.60</u> 0.62 ¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	<u>4.98</u> 6.10 ¢	<u>5.17</u> 6.15 ¢	<u>5.95</u> 6.22 ¢	<u>6.33</u> 6.34 ¢
b. All Off-Peak Energy per Month per kWh:	<u>3.89</u> 4.67 ¢	<u>3.98</u> 4.52 ¢	<u>4.36</u> 4.32 ¢	<u>4.56</u> 4.36 ¢

Option B

Administrative Charge	\$ 8.17 per month
Facilities Charge (if applicable – See Interconnection Facilities Charge)	\$ 8.03 per month

Interconnected to Distribution System:

	Variable Rate	Fixed Long-Term Rate (a)		
		5 Years	10 Years (a)	15 Years (a)
I. Capacity Credit				
a. All On-Peak Energy per Summer Month per kWh:				
i. Hydroelectric facilities with no storage capability and no other type generation	<u>16.16</u> 15.14 ¢	<u>16.68</u> 15.97 ¢	<u>17.51</u> 17.77 ¢	<u>18.28</u> 18.89 ¢
ii. for all other hydroelectric facilities	<u>9.70</u> 9.08 ¢	<u>10.01</u> 9.58 ¢	<u>10.51</u> 10.67 ¢	<u>10.97</u> 11.34 ¢
b. All On-Peak Energy per Non-Summer Month per kWh:				
i. Hydroelectric facilities with no storage capability and no other type generation	<u>2.50</u> 2.34 ¢	<u>2.58</u> 2.47 ¢	<u>2.71</u> 2.74 ¢	<u>2.83</u> 2.92 ¢
ii. for all other hydroelectric facilities	<u>1.50</u> 1.40 ¢	<u>1.55</u> 1.48 ¢	<u>1.63</u> 1.65 ¢	<u>1.70</u> 1.75 ¢
II. Energy Credit				
a. All On-Peak Energy per Month per kWh:	<u>5.37</u> 6.59 ¢	<u>5.54</u> 6.63 ¢	<u>6.36</u> 6.63 ¢	<u>6.78</u> 6.79 ¢
b. All Off-Peak Energy per Month per kWh:	<u>4.29</u> 5.20 ¢	<u>4.40</u> 5.12 ¢	<u>4.94</u> 5.02 ¢	<u>5.20</u> 5.07 ¢

Interconnected to Transmission System:

	Variable Rate	Fixed Long-Term Rate (a)		
		5 Years	10 Years (a)	15 Years (a)
I. Capacity Credit				
a. All On-Peak Energy per Month per kWh:				
i. Hydroelectric facilities with no storage capability and no other type generation	<u>15.76</u> 14.72 ¢	<u>16.26</u> 15.53 ¢	<u>17.07</u> 17.29 ¢	<u>17.83</u> 18.37 ¢
ii. for all other hydroelectric facilities	<u>9.45</u> 8.83 ¢	<u>9.76</u> 9.32 ¢	<u>10.25</u> 10.37 ¢	<u>10.70</u> 11.03 ¢
b. All On-Peak Energy per Non-Summer Month per kWh:				
i. Hydroelectric facilities with no storage capability and no other type generation	<u>2.44</u> 2.27 ¢	<u>2.52</u> 2.40 ¢	<u>2.64</u> 2.67 ¢	<u>2.76</u> 2.84 ¢
ii. for all other hydroelectric facilities	<u>1.46</u> 1.36 ¢	<u>1.51</u> 1.44 ¢	<u>1.58</u> 1.60 ¢	<u>1.66</u> 1.70 ¢
II. Energy Credit				

Duke Energy Carolinas, LLC

Electricity No. 4

North Carolina ~~Tenth Ninth~~-Revised Leaf No. 92
Superseding North Carolina ~~Ninth Eighth~~-Revised Leaf No. 92

SCHEDULE PP-H (NC)
HYDROELECTRIC QUALIFYING FACILITIES
PURCHASED POWER

a. All On-Peak Energy per Month per kWh:	<u>5.24</u> 6.41¢	<u>5.40</u> 6.45¢	<u>6.20</u> 6.45¢	<u>6.61</u> 6.60¢
b. All Off-Peak Energy per Month per kWh:	<u>4.19</u> 5.07¢	<u>4.30</u> 4.99¢	<u>4.83</u> 4.90¢	<u>5.08</u> 4.95¢

Notes: (a) Contracts for the 10-Year and 15-Year Fixed Long-Term Rates are subject to a provision making the contract renewable for subsequent term(s) at the option of the Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by arbitration.

* Unless otherwise specified in the Company's contract with the Customer, payment of credits under this Schedule do not convey to the Company the right to renewable energy credits (RECs) associated with the energy delivered to the Company by the Customer.

DEFINITIONS

Nameplate Capacity: The term "Nameplate Capacity" shall mean the maximum continuous electrical output capability of the generator(s) at any time at a power factor of ninety percent (90%).

Net Capacity: The term "Net Capacity" shall mean the Nameplate Capacity of the Customer's generating facilities, less the portion of that capacity needed to serve the generating facilities' Auxiliary Load.

Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).

Net Power: The term "Net Power" shall mean the total amount of electric power produced by the Customer's generating facilities less the portion of that power used to supply the generating facilities' Auxiliary Load.

Month: The term "Month" as used in this Schedule means the period intervening between meter readings for the purposes of monthly billing, such readings being taken once per month.

For Option A Rates, the On-Peak Months shall be the billing Months of June through September and December through March. The Off-Peak Months shall be the billing Months of April, May, October and November.

For Option B Rates, the Summer Months are the period from June 1 through September 30. The Non-Summer Months are the period from October 1 through May 31.

DETERMINATION OF ON-PEAK AND OFF-PEAK ENERGY

On-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during On-Peak Period Hours. Off-Peak Energy shall be energy, in kilowatt-hours, which is supplied to the Company during the Off-Peak Period Hours.

For Option A Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 7 A.M. and ending at 11 P.M. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours.

For Option B Rates, the On-Peak Period Hours shall be those hours, Monday through Friday, beginning at 1 P.M. and ending at 9 P.M. during Summer Months, and beginning at 6 A.M. and ending at 1 P.M. during Non-Summer Months. The Off-Peak Period Hours shall be all other weekday hours and all Saturday and Sunday hours. All hours for the following holidays shall be considered as Off-Peak: New Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.

SAFETY, INTERCONNECTION AND INSPECTION REQUIREMENTS

This Schedule is only applicable for installed generation systems and equipment that comply with the provisions outlined in the North Carolina Interconnection Procedures, Forms, and Agreements for State-Jurisdictional Generator Interconnections (hereinafter "Interconnection Procedures") as approved by the North Carolina Utilities Commission.

The Customer must submit an Interconnection Request, which must be accepted by the Company, pay an application fee, comply with the liability insurance requirements of the Interconnection Procedures and enter into a specific contract providing for interconnection to the Company's system.

North Carolina ~~Ninth Tenth~~ Revised Leaf No. 92Effective for service on and after ~~May 23, 2009~~ ~~XXXX.XX.XXXX~~NCUC Docket No. E-100, Sub 12747, Order dated ~~May 13, 2009~~ ~~XXXX.XX.XXXX~~

Duke Energy Carolinas, LLC

Electricity No. 4
North Carolina ~~Tenth Ninth~~-Revised Leaf No. 92
Superseding North Carolina ~~Ninth Eighth~~-Revised Leaf No. 92

SCHEDULE PP-H (NC)
HYDROELECTRIC QUALIFYING FACILITIES
PURCHASED POWER

In order to ensure protection of the Company's system, the Company reserves the right, at its discretion, to inspect the Customer's generation system and equipment at any time upon reasonable notice to the Customer in an effort to ensure compliance with the Interconnection Procedures. The Company reserves the right to disconnect electric service to the premises if the Company determines that the Customer's generation system and equipment is not in compliance with the Interconnection Procedures and is being operated in parallel with the Company's system.

INTERCONNECTION FACILITIES CHARGE

The Customer shall be responsible for providing suitable control and protective devices on his equipment to assure no disturbance to other customers of the Company or to the Company itself, and to protect the Customer's facilities from all loss or damage which could result from operation with the Company's system.

The Company will furnish, install, own, and maintain interconnection facilities as necessary for service under this Schedule including: suitable control and protective devices installed on Company equipment to allow operation of the Customer's generating facilities (see exception below); metering facilities equipped to prevent reverse registration for the measurement of service under this Schedule; and any other modifications to its system required to serve the Customer under this Schedule as determined by the Company.

All such facilities shall be subject to a monthly charge under the Extra Facilities provisions of the Company's Service Regulations, provided, however, that the minimum Extra Facilities charge shall not apply. The Company reserves the right to install at any time facilities necessary for the appropriate measurement of service under this Schedule and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company.

When the installed generating system complies with the North Carolina Interconnection Procedures and no additional interconnection facilities are required, the Facilities Charge shown in the Rate above will be applied to cover the cost of the Company's metering and installation.

DETERMINATION OF CAPACITY CREDITS

Capacity Credits will be based on the energy, in kilowatt-hours, which is supplied to the Company during the On-Peak Period Hours of the Month and will be applied to the Customer's bill in the appropriate Month.

Capacity Credits are available only to qualifying facilities classified as "new capacity" in accordance with the Federal Energy Regulatory Commission's Order No. 69 in Docket No. RM79-55 and in accordance with the North Carolina Utilities Commission's Order dated September 21, 1981 in Docket No. E-100, Sub 41.

POWER FACTOR CORRECTION

When the average Monthly power factor of the power supplied by the Customer to the Company is less than 90 percent or greater than 97 percent, the Company may correct the energy, in kilowatt-hours, as appropriate. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company.

PAYMENTS

Credit billings to the Customer shall be payable to the Customer within fifteen (15) days of the date of the bill.

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Customer shall enter into a contract which shall specify the amount of capacity committed for delivery throughout the term of the contract and shall specify one of the following as the initial term and associated rate: variable rate for five (5) years or fixed long-term rate for five (5), ten (10) or fifteen (15) years. Following the initial term, the Variable Rate as from time to time amended by the North Carolina Utilities Commission shall apply to all power purchased by the Company until superseded by a new contract.

Duke Energy Carolinas, LLC

Electricity No. 4
North Carolina ~~Tenth Ninth~~ Revised Leaf No. 92
Superseding North Carolina ~~Ninth Eighth~~ Revised Leaf No. 92

SCHEDULE PP-H (NC)
HYDROELECTRIC QUALIFYING FACILITIES
PURCHASED POWER

The Company reserves the right to terminate the Customer's contract under this Schedule at any time upon written notice to the Customer in the event that the Customer violates any of the terms or conditions of this Schedule or operates its generating facilities in a manner which is detrimental to the Company or any of its Customers or fails to deliver energy to the Company for six (6) consecutive months. In the event of early termination of a contract under this Schedule, the Customer will be required to pay the Company for costs due to such early termination.

DUKE ENERGY CAROLINAS, LLC
 SCHEDULE PP (NC) "Option A"
 PP-N and PP-H (All Other with Performance Adjustment Factor of 1.2)
 Y2010 Proposed Rates (Annualized)
 Cents per KWH

Performance Adjustment Factor: 1.200

Line No.	Description	Variable Rate	Fixed Long-Term Rates			
			5 Years	10 Years	15 Years	
INTERCONNECTED TO: DISTRIBUTION SYSTEM						
1	Energy Credit On-Peak	5.11	5.30	6.11	6.50	
2	Off-Peak	3.98	4.07	4.46	4.67	
3	Capacity Credit On-Peak Month	2.76	2.85	2.99	3.12	
4	Off-Peak Month	0.55	0.56	0.59	0.62	
5	Annualized Energy	4.52	4.64	5.24	5.54	
6	Annualized Capacity	<u>0.96</u>	<u>0.99</u>	<u>1.04</u>	<u>1.09</u>	
7	Annualized Total	5.48	5.63	6.28	6.63	

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit On-Peak	4.98	5.17	5.95	6.33
9	Off-Peak	3.89	3.98	4.36	4.56
10	Capacity Credit On-Peak Month	2.69	2.78	2.92	3.04
11	Off-Peak Month	0.53	0.55	0.58	0.60
12	Annualized Energy	4.41	4.53	5.12	5.41
13	Annualized Capacity	<u>0.94</u>	<u>0.97</u>	<u>1.01</u>	<u>1.06</u>
14	Annualized Total	5.35	5.50	6.13	6.47

NOTE: Calculation of Annualized Numbers

Annualized Energy
 Annualized Capacity
 Annualized Total

$(\text{on-peak rate} \times 4160 + \text{offpeak rate} \times 4600) / 8760$
 $(\text{on-peak month rate} \times 2773 + \text{off-peak month rate} \times 1387) / 8760$
 Capacity + Energy

DUKE ENERGY CAROLINAS, LLC
 SCHEDULE PP (NC) "Option B"
 PP-N and PP-H (All Other with Performance Adjustment Factor of 1.2)
 Y2010 Proposed Rates (Annualized)
 Cents per KWH

Performance Adjustment Factor: 1.200

Line No.	Description	Variable Rate	Fixed Long-Term Rates			
			5 Years	10 Years	15 Years	
INTERCONNECTED TO: DISTRIBUTION SYSTEM						
1	Energy Credit On-Peak	5.37	5.54	6.36	6.78	
2	Off-Peak	4.29	4.40	4.94	5.20	
3	Capacity Credit On-Peak Month	9.70	10.01	10.51	10.97	
4	Off-Peak Month	1.50	1.55	1.63	1.70	
5	Annualized Energy	4.52	4.64	5.24	5.54	
6	Annualized Capacity	<u>0.96</u>	<u>0.99</u>	<u>1.04</u>	<u>1.09</u>	
7	Annualized Total	5.48	5.63	6.28	6.63	

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit On-Peak	5.24	5.40	6.20	6.61
9	Off-Peak	4.19	4.30	4.83	5.08
10	Capacity Credit On-Peak Month	9.45	9.76	10.25	10.70
11	Off-Peak Month	1.46	1.51	1.58	1.66
12	Annualized Energy	4.41	4.53	5.12	5.41
13	Annualized Capacity	<u>0.94</u>	<u>0.97</u>	<u>1.01</u>	<u>1.06</u>
14	Annualized Total	5.35	5.50	6.13	6.47

NOTE: Calculation of Annualized Numbers

Annualized Energy	$(\text{on-peak rate} \times 1863 + \text{off-peak} \times 6897) / 8760$
Annualized Capacity	$(\text{on-peak month rate} \times 665 + \text{off-peak month rate} \times 1177) / 8760$
Annualized Total	Capacity + Energy

DUKE ENERGY CAROLINAS, LLC
 SCHEDULE PP-H with no storage (NC) "Option A"
 Y2010 Proposed Rates (Annualized)
 Cents per KWH

Performance Adjustment Factor: 2.000

Line No.	Description	Variable Rate	Fixed Long-Term Rates		
			5 Years	10 Years	15 Years
INTERCONNECTED TO: DISTRIBUTION SYSTEM					
1	Energy Credit On-Peak	5.11	5.30	6.11	6.50
2	Off-Peak	3.98	4.07	4.46	4.67
3	Capacity Credit On-Peak Month	4.60	4.75	4.98	5.20
4	Off-Peak Month	0.91	0.94	0.99	1.03
5	Annualized Energy	4.52	4.64	5.24	5.54
6	Annualized Capacity	<u>1.60</u>	<u>1.65</u>	<u>1.73</u>	<u>1.81</u>
7	Annualized Total	6.12	6.29	6.97	7.35

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit On-Peak	4.98	5.17	5.95	6.33
9	Off-Peak	3.89	3.98	4.36	4.56
10	Capacity Credit On-Peak Month	4.48	4.63	4.86	5.07
11	Off-Peak Month	0.89	0.91	0.96	1.00
12	Annualized Energy	4.41	4.53	5.12	5.41
13	Annualized Capacity	<u>1.56</u>	<u>1.61</u>	<u>1.69</u>	<u>1.76</u>
14	Annualized Total	5.97	6.14	6.81	7.17

NOTE: Calculation of Annualized Numbers

Annualized Energy (on-peak rate*4160 + off-peak rate*4600)/8760
 Annualized Capacity (on-peak month rate*2773 + off-peak month rate*1387)/8760
 Annualized Total Capacity + Energy

DUKE ENERGY CAROLINAS, LLC
 Schedule PP-H with no storage (NC) "Option B"
 Y2010 Proposed Rates (Annualized)
 Cents per KWH

Performance Adjustment Factor: 2.000

Line No.	Description	Variable Rate	Fixed Long-Term Rates			
			5 Years	10 Years	15 Years	
INTERCONNECTED TO: DISTRIBUTION SYSTEM						
1	Energy Credit On-Peak	5.37	5.54	6.36	6.78	
2	Off-Peak	4.29	4.40	4.94	5.20	
3	Capacity Credit On-Peak Month	16.16	16.68	17.51	18.28	
4	Off-Peak Month	2.50	2.58	2.71	2.83	
5	Annualized Energy	4.52	4.64	5.24	5.54	
6	Annualized Capacity	<u>1.60</u>	<u>1.65</u>	<u>1.73</u>	<u>1.81</u>	
7	Annualized Total	6.12	6.29	6.97	7.35	

INTERCONNECTED TO: TRANSMISSION SYSTEM

8	Energy Credit On-Peak	5.24	5.40	6.20	6.61
9	Off-Peak	4.19	4.30	4.83	5.08
10	Capacity Credit On-Peak Month	15.76	16.26	17.07	17.83
11	Off-Peak Month	2.44	2.52	2.64	2.76
12	Annualized Energy	4.41	4.53	5.12	5.41
13	Annualized Capacity	<u>1.56</u>	<u>1.61</u>	<u>1.69</u>	<u>1.76</u>
14	Annualized Total	5.97	6.14	6.81	7.17

NOTE: Calculation of Annualized Numbers

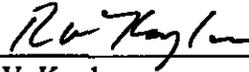
Annualized Energy (on-peak rate*1863 + off-peak rate*6897)/8760
 Annualized Capacity (on-peak month rate*685 + off-peak month rate*1177)/8760
 Annualized Total Capacity + Energy

EXHIBIT 4
CONFIDENTIAL

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's Revised Initial Statement and Revised Exhibits 2 and 3 in Docket No. E-100, Sub 127 has been served by electronic mail (e-mail), hand delivery or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to parties of record.

This the 29th day of November, 2010.



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