

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

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NEWS RELEASE

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NORTH CAROLINA UTILITIES COMMISSION ISSUES NOTICE OF DECISION
REGARDING DUKE ENERGY CAROLINAS, LLC COAL-FIRED
ELECTRIC GENERATING FACILITY

The North Carolina Utilities Commission today issued a Notice of Decision authorizing Duke Energy Carolinas, LLC (Duke) to construct one 800-megawatt (MW) supercritical pulverized-coal electric generating facility, together with certain related transmission facilities, to be located at the existing Cliffside Steam Station on the border of Cleveland and Rutherford Counties, North Carolina.

On May 11, 2005, in Docket No. E-7, Sub 790, Duke filed preliminary information concerning plans to seek a certificate of public convenience and necessity pursuant to G.S. 62-110.1 authorizing construction of two 800-MW coal-fired units at the Cliffside site. Duke filed its formal application for a certificate on June 2, 2006.

In its Notice of Decision, the Commission stated that its full order, which will be issued in the near future and which will set forth the Commission's complete reasoning concerning this proceeding, will conclude that Duke has carried its burden of proof as to the need for one 800-MW unit at the Cliffside site, but has not carried its burden of proof as to the proposed second 800-MW unit. These conclusions will be based upon (1) Duke's annual plans and testimony as to Duke's need for new generating facilities and (2) Duke's testimony regarding negotiations to sell up to 800 MW of the proposed two-unit project. The certificate will be conditioned upon Duke's retiring the existing Cliffside Units 1 through 4 (totaling 198 MW of capacity) no later than the date of the commercial operation of the one new 800-MW unit.

The order will incorporate Duke's commitment (1) to invest, on an annual basis, one percent (1%) of its annual retail revenues from the sale of electricity in energy efficiency and demand-side programs, subject to the ongoing collaborative workshops and subject to such appropriate regulatory treatment as the Commission may determine to be just and reasonable, and (2) to retire older coal-fired generating units on a megawatt-for-megawatt basis, considering the impact on the reliability of the entire system, to account for actual load reductions realized from these new programs, up to the megawatt level added by the Cliffside unit certificated by the order.

Commissioner Robert V. Owens, Jr. dissented from the Commission's decision on the grounds that Duke should not be allowed to construct any of the proposed new generation.

The Commission is, by law, an administrative agency of the General Assembly created for the principal purpose of carrying out the administration and enforcement of the

Public Utilities Act. The Commission regulates public utilities in North Carolina consistent with the declarations of policy set out in the Act, including (1) promoting adequate, reliable and economical utility service to all of the citizens and residents of the State and (2) encouraging and promoting harmony between public utilities, their users and the environment. In considering applications for certificates of public convenience and necessity, the Commission acts as a quasi-judicial body and must base its decisions on the evidentiary record established in each proceeding. In certification proceedings such as this, the Commission must determine, based on the record before it, whether a need exists which would require the construction of the proposed electric generating facility consistent with State policy, and whether the proposed unit represents the most appropriate way to meet any identified need for future generation.

The Notice of Decision is available on the Commission's website, www.ncuc.net, as will be the full order when it is issued, by performing a "docket search" for Docket No. E-7, Sub 790.

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