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July 31, 2020

VIA ELECTRONIC FILING

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

RE: Second Settlement Testimony
Docket No. E-2, Sub 1219

Dear Ms. Campbell:

Enclosed for electronic filing is the *Second Settlement Testimony of Stephen G. De May, Dylan W. D'Ascendis, Karl W. Newlin and Kim H. Smith.*

Please do not hesitate to contact me should you have any questions. Thank you for your assistance in this matter.

Sincerely,

/s/ Kiran H. Mehta

Kiran H. Mehta

Enclosure

cc: Parties of Record

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-2, SUB 1219**

In the Matter of:)	
	)	SECOND SETTLEMENT
DOCKET NO. E-2, SUB 1219	)	TESTIMONY OF
Application of Duke Energy Progress, LLC For	)	STEPHEN G. DE MAY
Adjustment of Rates and Charges Applicable to	)	FOR DUKE ENERGY
Electric Service in North Carolina	)	PROGRESS, LLC
)	

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

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

2 A. My name is Stephen G. De May, and my business address is 410 South
3 Wilmington Street, Raleigh, North Carolina, 27601.

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

5 A. I am the North Carolina President for Duke Energy Progress (“DE Progress”
6 or the “Company”), which is a wholly owned subsidiary of Duke Energy
7 Corporation, as well as Progress Energy Inc. and Duke Energy Carolinas,
8 LLC, also wholly owned subsidiaries of Duke Energy.

9 **Q. DID YOU OFFER ANY DIRECT AND REBUTTAL TESTIMONY IN**
10 **THIS PROCEEDING?**

11 A. Yes. I filed direct testimony in this docket on October 30, 2019; rebuttal
12 testimony on May 4, 2020; and partial settlement supporting testimony on
13 June 2, 2020.

14 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

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

16 A. I support the Second Agreement and Stipulation of Partial Settlement the
17 Company reached with the North Carolinas Utilities Commission Public Staff
18 (“Public Staff”) (together, the “Stipulating Parties”), filed with the
19 Commission on July 31, 2020 in this docket (the “Second Partial Settlement”),
20 and introduce several other witnesses that support the reasonableness of the
21 Second Partial Settlement. The Company was able to reach a Second Partial

1 Settlement with the Public Staff subsequent to the Company's filing of its pre-
2 filed direct, rebuttal and supplemental testimony and exhibits; extensive
3 discovery conducted by the Public Staff and other intervenors; and prior
4 settlements reached with the Public Staff, the Commercial Group, CIGFUR,
5 Harris Teeter, Vote Solar, NCSEA, NCJC, NCHC, NRDC, and SACE in this
6 proceeding. The Second Partial Settlement represents a balanced settlement
7 for the Stipulating Parties on these issues, is in the public interest, and should
8 be approved by the Commission. My direct and rebuttal testimony remain
9 effective as applicable to the testimony of any non-settling party, including the
10 unresolved matters between the Company and Public Staff listed in the
11 Second Partial Settlement. Additionally, my settlement supporting testimony
12 remains effective as applicable to the first partial settlement the Company
13 entered into with the Public Staff.

14 **III. THE PARTIAL SETTLEMENT**

15 **Q. PLEASE PROVIDE AN OVERVIEW OF THE MAJOR COMPONENTS**
16 **OF THE PARTIAL SETTLEMENT.**

17 A. Overall, the Second Partial Settlement resolves most, but not all, of the
18 remaining revenue requirement issues between the Company and the Public
19 Staff. I describe the Unresolved Issues later in my testimony.

20 As discussed by other Company witness testimony being filed today by
21 Kim H. Smith, Dylan D'Ascendis, and Karl Newlin, the agreement reached

1 between the Stipulating Parties in the Second Partial Settlement can be
2 summarized as follows:

3 Shareholder Contribution – The Company has agreed to make an annual
4 \$2.5 million shareholder contribution to the Energy Neighbor Fund in 2021 and
5 2022, for a total contribution of \$5 million.

6 Cost of Capital – The Stipulating Parties have agreed to a return on
7 equity of 9.6 percent, based upon a capital structure containing 52 percent equity
8 and 48 percent debt as described by Witnesses D’Ascendis and Newlin. The
9 Company’s debt cost rate shall be set at 4.04 percent. The resulting weighted
10 average rate of return is 6.93 percent.

11 EDIT – The Stipulating Parties have agreed to several terms in the
12 Second Partial Settlement addressing the return of state and federal excess
13 deferred income taxes (“EDIT”) to customers. For example, the Company has
14 agreed to return to customers the total unprotected federal EDIT amount over a
15 five-year period and North Carolina EDIT over a two-year period. Additionally,
16 if state or federal income tax rates happen to change again during the respective
17 flowback periods, the Company may, under certain conditions, propose to reflect
18 the effect of any future tax rate change on the remaining EDIT balance.

19 Grid Improvement Plan – The Public Staff has agreed to the Company’s
20 requested deferral accounting treatment for the following programs, as described
21 in Witness Oliver’s Exhibit 10, limited to the estimated three-year capital budget
22 period of 2020-2022: Self-Optimizing Grid (“SOG”) (all subprograms including

1 Capacity and Connectivity, Segmentation and Automation, ADMS), Integrated
2 System and Operations Planning (“ISOP”), Transmission System Intelligence,
3 Distribution Automation, Power Electronics, DER Dispatch Tool, and Cyber
4 Security. For all other Grid Investment Plan (“GIP”) investments proposed by
5 the Company in this docket, the Company agrees that it will withdraw its request
6 for deferral accounting. Further, the Company, in conjunction with the
7 concurrent commitment of DE Carolinas, and the Public Staff will work together
8 to develop biannual reporting requirements to track GIP expenditures that
9 receive accounting deferral treatment.

10 Cost of Service – The Public Staff has accepted, for this case only and
11 subject to agreement on certain conditions outlined in the Second Partial
12 Settlement, the Company’s proposal to calculate and allocate the Company’s
13 cost of service based on a ICP Summer methodology.

14 May Updates - The Stipulating Parties have agreed to include the
15 Company’s updates to certain pro forma adjustments through May 31, 2020
16 (“May Updates”), pending and subject to the Public Staff’s audit of the updates.
17 In addition, the Stipulating Parties have agreed to limit the update to revenues to
18 75% of the difference between the May Updates and the Company’s February
19 update to recognize the uncertainty regarding the effects of COVID-19. The
20 Stipulating Parties further agreed that the May Updates shall also include
21 updates for benefits and executive compensation through May 2020.

22 Nuclear Decommissioning Trust Fund – The Company has agreed to

1 reduce the annual funding for the Company’s Nuclear Decommissioning Trust
2 Fund by \$8.7 million, and further agree to support this funding amount in DE
3 Progress’s current cost and funding decommissioning Docket No. M-100, Sub
4 56.

5 Non-ARO Environmental Costs – The Stipulating Parties have agreed to
6 amortize deferred non-asset retirement obligation (“non-ARO”) environmental
7 costs over an eight-year period.

8 Other Areas of Agreement – The Stipulating Parties have also agreed to
9 terms governing the start date of the evidentiary hearings to allow time for the
10 Public Staff to audit the May Updates; ongoing assessments of the cost
11 effectiveness of GIP-related projects; clarification of GIP costs that are eligible
12 for deferral; commitments to future cost of service studies; rate design issues;
13 commitments to conduct audits and reporting obligations regarding plant,
14 materials & supplies inventory, vegetation management, and service reliability
15 index reporting.

16 **Q. DOES THE COMPANY AGREE WITH THE CHARACTERIZATION**
17 **OF THE AGREED-UPON ADJUSTMENTS AS DESCRIBED IN THE**
18 **SETTLEMENT AGREEMENT?**

19 A. Yes.

1 **Q. PLEASE ELABORATE HOW THE PARTIAL SETTLEMENT**
2 **BALANCES THE COMPANY’S NEED FOR RATE RELIEF WITH THE**
3 **IMPACT OF SUCH RATE RELIEF ON CUSTOMERS.**

4 A. I attended public hearings held by the Commission in this matter and personally
5 heard from many of our customers who are concerned about the impacts of any
6 rate increase on their families and businesses. I also followed the consumer
7 statement positions filed in this Docket. We are very mindful of these concerns.
8 Although we are pleased that our electric rates are competitive and below the
9 national average, and will remain so with this Second Partial Settlement, we
10 know that providing safe, reliable, increasingly clean electricity at competitive
11 rates is key to powering the State’s economy and the lives of our customers.
12 Particularly in light of the current economic conditions of many of our customers
13 due to the COVID-19 pandemic, we believe that the concessions the Company
14 has made in this Partial Settlement fairly balance the needs of our customers
15 with the Company’s need to recover substantial investments made in order to
16 continue to comply with regulatory requirements and safely provide high quality
17 electric service to our customers. Our electric rates need to be adjusted to reflect
18 these investments. Moreover, given the size of the necessary capital and
19 compliance expenditures we are facing, it is essential that DE Progress maintain
20 its financial strength and credit quality so that we will be in a position to finance
21 these needs on reasonable terms for the benefit of our customers. In my opinion,
22 we have been able to strike that balance with this Partial Settlement on the

1 agreed upon items. However, we remain concerned about cost recovery for the
2 Unresolved Items, as that is critical to the financial health of the Company.

3 Just a few of the ways we have struck this reasonable balance include:
4 (1) the Company's willingness to settle for rates designed on the basis of a 9.6
5 percent return on equity and a 52 percent equity component of its capital
6 structure, both of which will mitigate the impact of the rate increase on
7 customers; (2) the Company's willingness to accept an overall lower revenue
8 requirement will also mitigate the impact on customers; and (3) the Company's
9 agreement to contribute \$5 million to help many of our most vulnerable
10 customers pay their electric bills.

11 **Q. IN THE PARTIAL SETTLEMENT, DID THE COMPANY AND PUBLIC**
12 **STAFF REACH AGREEMENT ON ALL ISSUES IN THIS DOCKET?**

13 A. No. As I noted previously, a number of issues remain disputed between the
14 Public Staff and the Company: (1) the Company's request to recover its
15 deferred coal ash costs and its ongoing environmental compliance costs
16 necessary to safely close the Company's coal ash basins; (2) the depreciation
17 rates appropriate for use in this case, including whether the Company's
18 proposal to shorten the lives of certain coal-fired generating facilities should
19 be approved; and (3) any other revenue requirement or non-revenue
20 requirement issues other than those issues specifically addressed in the
21 Stipulation or agreed upon in the testimony of the Stipulating Parties.

1 **Q. IS THE COMPANY PRESENTING TESTIMONY OF OTHER**
2 **WITNESSES IN SUPPORT OF THE AMENDED STIPULATION?**

3 A. Yes. DE Progress's Witness Smith supports the adjustments, rate making and
4 accounting aspects of the Stipulation, while Witness Newlin supports the capital
5 structure provided in the Stipulation. Finally, Witness D'Ascendis supports the
6 overall return and capital structure provided in the Partial Settlement.

7 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SETTLEMENT**
8 **TESTIMONY?**

9 A. Yes.

1

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, AFFILIATION, AND BUSINESS ADDRESS.

2 A. My name is Dylan W. D’Ascendis. I am a Director at ScottMadden, Inc. My
3 business address is 3000 Atrium Way, Suite 241, Mount Laurel, New Jersey 08054.

Q. ARE YOU THE SAME DYLAN W. D’ASCENDIS WHO SUBMITTED DIRECT, REBUTTAL, AND SUPPLEMENTAL REBUTTAL TESTIMONIES IN THIS PROCEEDING?

4 A. Yes, I filed direct testimony (“Direct Testimony”), rebuttal testimony (“Rebuttal
5 Testimony”), and supplemental rebuttal testimony (“Supplemental Rebuttal
6 Testimony”) on behalf of Duke Energy Progress, LLC (“DE Progress” or the
7 “Company”). In my Direct, Rebuttal, and Supplemental Rebuttal Testimonies I
8 recommended a Return on Equity (“ROE”) of 10.50 percent, within a range of
9 10.00 percent to 11.00 percent.

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT SUPPORT TESTIMONY?

10 A. The purpose of my testimony is to explain my support for the Second Agreement
11 and Stipulation of Partial Settlement dated July 31, 2020 (the “Second Partial
12 Settlement”) among the Company and the Public Staff (collectively, the “Settling

1 Parties”). In particular, my testimony addresses the agreed-upon ROE, capital
2 structure, and overall Rate of Return contained in the Second Partial Settlement.¹

**Q. HAVE YOU PREPARED ANY EXHIBITS IN CONJUNCTION WITH
YOUR TESTIMONY?**

3 A. Yes. Settlement Exhibit No. DWD-1 has been prepared by me, or under my direct
4 supervision.

5 **II. STIPULATED ROE, EQUITY RATIO, AND OVERALL RATE OF**
6 **RETURN**

**Q. ARE YOU FAMILIAR WITH THE TERMS OF THE SECOND PARTIAL
SETTLEMENT AS IT RELATES TO THE COMPANY’S OVERALL RATE
OF RETURN?**

7 A. Yes. I understand the Settling Parties have agreed to an ROE of 9.60 percent, and
8 a capital structure including 52.00 percent common equity and 48.00 percent long-
9 term debt for the Company. I further understand the overall Rate of Return
10 contained in the Second Partial Settlement concerning DE Progress is 6.93 percent.²

**Q. IN GENERAL, DO YOU SUPPORT THE COMPANY’S DECISION TO
AGREE TO THE STIPULATED ROE?**

11 A. Yes. I do. Although the Stipulated ROE is somewhat below the lower bound of
12 my recommended range (*i.e.*, 10.00 percent), I recognize the Second Partial
13 Settlement represents negotiations among the Settling Parties regarding several

¹ See, Second Agreement and Stipulation of Partial Settlement, July 31, 2020, at 9. I refer to the 9.60 percent ROE as the “Stipulated ROE”, the 52.00 percent equity ratio as the “Stipulated Equity Ratio”, and the 6.93 percent overall Rate of Return as the “Stipulated Rate of Return”.

² *Ibid.*

1 otherwise-contested issues. I understand the Company has determined that the
2 terms of the Second Partial Settlement, in particular the Stipulated ROE and Equity
3 Ratio, would be viewed by the rating agencies as constructive and equitable. I
4 understand and respect that determination.

Q. PLEASE NOW SUMMARIZE YOUR POSITION REGARDING THE STIPULATED ROE.

5 A. Although the Stipulated ROE falls below my recommended range (the low end of
6 which is 10.00 percent), it is within the range of the analytical results presented in
7 my Direct, Rebuttal, and Supplemental Rebuttal Testimonies. As discussed
8 throughout my Rebuttal and Supplemental Rebuttal Testimonies, capital market
9 conditions became quite volatile as a result of the COVID-19 pandemic.
10 Consequently, the models used to estimate the Cost of Equity produce a wide range
11 of estimates. Those market conditions, in particular the increasing correlation
12 between the utility sector and the broad market, support investors' increased capital
13 cost requirements. It therefore remains my position that in a fully litigated
14 proceeding, a range of common equity cost rates between 10.00 percent and 11.00
15 percent is reasonable, if not conservative. Nonetheless, I recognize the benefits
16 associated with the decision to enter into the Second Partial Settlement and as such,
17 it is my view that the 9.60 percent Stipulated ROE is a reasonable resolution of an
18 otherwise contentious issue.

1 **Q. HAVE YOU ALSO CONSIDERED THE STIPULATED ROE IN THE**
2 **CONTEXT OF AUTHORIZED RETURNS FOR OTHER VERTICALLY**
3 **INTEGRATED ELECTRIC UTILITIES?**

4 A. Yes. From January 2016 through June 2020, the average authorized ROE for
5 vertically integrated electric utilities was 9.74 percent, 14 basis points above the
6 Stipulated ROE. Of the 107 cases decided during that period, 64 (*i.e.*, nearly 60.00
7 percent) included authorized returns of 9.60 percent or higher.³

Q. ARE THERE OTHER DISTINCTIONS THAT ARE IMPORTANT TO
CONSIDER WHEN REVIEWING AUTHORIZED RETURNS?

8 A. Yes. As noted in my Rebuttal Testimony, the Company's credit rating and outlook
9 depend substantially on the extent to which rating agencies view the regulatory
10 environment as credit supportive, or not.⁴ I noted, for example, that Moody's finds
11 the regulatory environment to be so important that 50.00 percent of the factors that
12 weigh in its ratings determination are determined by the nature of regulation.⁵

13 Given the Company's need to access external capital and the weight rating
14 agencies place on the nature of the regulatory environment, I believe it is important
15 to consider the extent to which the jurisdictions that recently have authorized ROEs
16 for electric utilities are viewed as having constructive regulatory environments.

³ See Settlement Exhibit DWD-1.

⁴ Rebuttal Testimony of Dylan W. D'Ascendis, at 182.

⁵ *Ibid.*

1 **Q. IS NORTH CAROLINA GENERALLY CONSIDERED TO HAVE A**
2 **CONSTRUCTIVE REGULATORY ENVIRONMENT?**

3 A. Yes, it is. As discussed in my Rebuttal Testimony, Regulatory Research Associates
4 (“RRA”), which is a widely referenced source of rate case data, provides an
5 assessment of the extent to which regulatory jurisdictions are constructive from
6 investors’ perspectives, or not.⁶ As RRA explains, less constructive environments
7 are associated with higher levels of risk:

8 RRA maintains three principal rating categories, Above Average,
9 Average, and Below Average, with Above Average indicating a
10 relatively more constructive, lower-risk regulatory environment
11 from an investor viewpoint, and Below Average indicating a less
12 constructive, higher-risk regulatory climate from an investor
13 viewpoint. Within the three principal rating categories, the numbers
14 1, 2, and 3 indicate relative position. The designation 1 indicates a
15 stronger (more constructive) rating; 2, a mid range rating; and, 3, a
16 weaker (less constructive) rating. We endeavor to maintain an
17 approximately equal number of ratings above the average and below
18 the average.⁷

19 Within RRA’s ranking system, North Carolina is rated “Average/1”, which falls in
20 the top one-third of the 53 regulatory commissions ranked by RRA.⁸

Q. DID YOU CONSIDER THOSE DISTINCTIONS IN YOUR REVIEW OF
AUTHORIZED RETURNS RELATIVE TO THE STIPULATED ROE?

21 A. Yes. Across the 107 cases noted above, there was a 40-basis point difference
22 between the median return for the Top Third and Bottom Third of jurisdictions (the
23 higher-ranked jurisdictions providing the higher authorized returns, see Table 1,

⁶ Rebuttal Testimony of Dylan W. D’Ascendis, 183.

⁷ Source: Regulatory Research Associates, accessed July 28, 2020. *See*, also, Rebuttal Testimony of Dylan W. D’Ascendis, at 183.

⁸ Source: Regulatory Research Associates, accessed July 28, 2020.

1 below). As Table 1 indicates, authorized ROEs for vertically integrated electric
2 utilities in jurisdictions that, like North Carolina, are rated at least Average/1 range
3 from 9.25 percent to 10.55 percent, with a median of 9.90 percent.

4 **Table 1: Average Authorized ROE by RRA Ranking⁹**

RRA Ranking	Authorized ROE Vertically Integrated Electric Utilities		
	Top Third	Middle Third	Bottom Third
Average	9.91%	9.53%	9.62%
Median	9.90%	9.50%	9.50%
Maximum	10.55%	10.30%	11.95%
Minimum	9.25%	8.75%	9.06%

5 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM THAT DATA?**

6 A. The Stipulated ROE falls 30 to 31 basis points below the median and mean
7 authorized ROE, respectively, for jurisdictions that are comparable to North
8 Carolina’s constructive regulatory environment, and 10 basis points above the
9 median return authorized in less supportive jurisdictions. Taken from that
10 perspective, the Stipulation ROE is a reasonable, if not somewhat conservative
11 measure of the Company’s Cost of Equity.

⁹ Source: Regulatory Research Associates. “Top Third” includes Above Average/1,2,3 and Average/1; “Average” includes Average/2 and Average/3; “Bottom Third” includes Below Average/1,2,3. The “Top Third” group includes 18 of 53 jurisdictions, or about one-third of the total. See Settlement Exhibit DWD-1

1 **Q. DO YOU BELIEVE THE STIPULATED CAPITAL STRUCTURE ALSO IS**
2 **REASONABLE?**

3 A. Yes, I do. As demonstrated in Table 2 (below) the Stipulated Equity Ratio is equal
4 to the median authorized equity ratio in supportive regulatory jurisdictions (*i.e.*,
5 52.00 percent), and is well within the range of equity ratios authorized in those
6 jurisdictions (40.25 percent to 57.16 percent).

7 **Table 2: Average Authorized Equity Ratio by RRA Ranking¹⁰**

	Authorized Equity Ratio Vertically Integrated Electric Utilities		
RRA Ranking	Top Third	Middle Third	Bottom Third
Average	51.29%	51.58%	50.69%
Median	52.00%	51.48%	49.46%
Maximum	57.16%	57.10%	58.18%
Minimum	40.25%	44.00%	48.35%

8 As discussed in my Rebuttal Testimony, because no two companies are
9 identical, we should not view the average (or median) equity ratio (whether
10 authorized or observed) as a strict measure of industry practice.¹¹ Nonetheless, the
11 Stipulated Equity Ratio falls well within the range of authorized equity ratios, and
12 is equal to the median for constructive regulatory jurisdictions. In my view, that
13 finding provides additional support for its acceptance.

¹⁰ Source: Regulatory Research Associates. Excludes capital structure decisions from Arkansas, Florida, Indiana, and Michigan, all of which include some form of non-investor supplied capital in the ratemaking capital structure.

¹¹ Rebuttal Testimony of Dylan W. D'Ascendis, at 30.

Q. HOW DOES THE 6.93 PERCENT OVERALL RATE OF RETURN CONTAINED IN THE SECOND PARTIAL SETTLEMENT COMPARE TO RECENTLY AUTHORIZED RETURNS?

1 A. It is quite low. Since January 2016, there have been 105 cases reported by RRA
2 (for vertically integrated electric utilities) in which an overall Rate of Return was
3 specified. Over those 105 cases, the median Rate of Return was 7.20 percent, 27
4 basis points above the 6.93 percent Rate of Return for the Company as contained
5 in the Second Partial Settlement. From a slightly different perspective, 70 of the
6 105 cases had overall Rates of Return greater than 6.93 percent. In fact, the Second
7 Partial Settlement's overall Rate of Return falls in the bottom 33rd percentile of the
8 105 cases decided since 2016.

9 The low overall Rate of Return contained in the Second Partial Settlement
10 are brought about by the Company's rather low cost of debt. That low cost of debt
11 is supported by reasonable regulatory outcomes, including constructive decisions
12 regarding the Return on Equity, and capital structure. In my view, the Second
13 Partial Settlement continues that support, and produces the low overall Rate of
14 Return on which customer rates would be set. From that important perspective, the
15 Stipulated ROE and capital structure strike the necessary balance between customer
16 and investor interests.

1 **Q. HAS YOUR TESTIMONY CONSIDERED ECONOMIC CONDITIONS IN**
2 **NORTH CAROLINA?**

3 A. Yes, it has. I understand and appreciate the Commission’s need to balance the
4 interests of investors and ratepayers, and to consider economic conditions in the
5 State, as it sets rates. As explained in my Supplemental Rebuttal Testimony, I
6 recognize that economic conditions have deteriorated in North Carolina in the first
7 half of 2020, as have the economic conditions in across the U.S.¹² Because North
8 Carolina’s economic conditions remain highly correlated to the overall conditions
9 in the U.S., my review of North Carolina’s economic conditions do not alter my
10 conclusion that the Stipulated ROE, Equity Ratio, and Rate of Return are
11 reasonable resolutions to otherwise contentious issues.

12 **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

13 A. Yes.

¹² Supplemental Rebuttal Testimony of Dylan W. D’Ascendis, at 21-23.

Recently Authorized ROEs by RRA Ranking

State	Company	Case Identification	Service	Case Type	Date	Return on			Authorized ROE			Authorized Equity Ratio		
						Equity (%)	Equity Ratio (%)	RRA Rank	Top Third (Average/1 and higher)	Middle Third (Average/2)	Bottom Third (Average/3 and lower)	Top Third (Average/1 and higher)	Middle Third (Average/2)	Bottom Third (Average/3 and lower)
Washington	Avista Corp.	D-UE-150204	Electric	Vertically Integrated	1/6/2016	9.50	48.50	Average / 3			9.50			48.50
Arkansas	Entergy Arkansas LLC	D-15-015-U	Electric	Vertically Integrated	2/23/2016	9.75	NA	Average / 3			9.75			NA
Indiana	Indianapolis Power & Light Co.	Ca-44576	Electric	Vertically Integrated	3/16/2016	9.85	NA	Above Average / 3	9.85			NA		
New Mexico	El Paso Electric Co.	C-15-00127-UT	Electric	Vertically Integrated	6/8/2016	9.48	49.29	Below Average / 1			9.48			49.29
Indiana	Northern IN Public Svc Co.	Ca-44688	Electric	Vertically Integrated	7/18/2016	9.98	NA	Above Average / 3	9.98			NA		
Tennessee	Kingsport Power Company	D-16-00001	Electric	Vertically Integrated	8/9/2016	9.85	40.25	Average / 1	9.85			40.25		
Arizona	UNS Electric Inc.	D-E-04204A-15-0142	Electric	Vertically Integrated	8/18/2016	9.50	52.83	Average / 3			9.50			52.83
Washington	PacifiCorp	D-UE-152253	Electric	Vertically Integrated	9/1/2016	9.50	49.10	Average / 3			9.50			49.10
Michigan	Upper Peninsula Power Co.	C-U-17895	Electric	Vertically Integrated	9/8/2016	10.00	NA	Average / 1	10.00			NA		
New Mexico	Public Service Co. of NM	C-15-00261-UT	Electric	Vertically Integrated	9/28/2016	9.58	49.61	Below Average / 1						49.61
Wisconsin	Madison Gas and Electric Co.	D-3270-UR-121 (Elec)	Electric	Vertically Integrated	11/9/2016	9.80	57.16	Above Average / 2	9.80			57.16		
Oklahoma	Public Service Co. of OK	Ca-PUD201500208	Electric	Vertically Integrated	11/10/2016	9.50	44.00	Average / 2		9.50			44.00	
Wisconsin	Wisconsin Power and Light Co	D-6680-UR-120 (Elec)	Electric	Vertically Integrated	11/18/2016	10.00	52.20	Above Average / 2	10.00			52.20		
Florida	Florida Power & Light Co.	D-160021-EI	Electric	Vertically Integrated	11/29/2016	10.55	NA	Above Average / 3						10.55
California	Lberty Utilities (CalPeco Elect	A-15-05-008	Electric	Vertically Integrated	12/1/2016	10.00	52.50	Average / 1						52.50
South Carolina	Duke Energy Progress LLC	D-2016-227-E	Electric	Vertically Integrated	12/7/2016	10.10	53.00	Average / 1						53.00
Colorado	Black Hills Colorado Electric	D-16AL-0326E	Electric	Vertically Integrated	12/19/2016	9.37	52.39	Average / 1			9.37			52.39
Nevada	Sierra Pacific Power Co.	D-16-06006	Electric	Vertically Integrated	12/22/2016	9.60	48.03	Average / 2		9.60			48.03	
North Carolina	Virginia Electric & Power Co.	D-E-22, Sub 532	Electric	Vertically Integrated	12/22/2016	9.90	51.75	Average / 1	9.90			51.75		
Idaho	Avista Corp.	C-AVU-E-16-03	Electric	Vertically Integrated	12/28/2016	9.50	50.00	Average / 2		9.50			50.00	
Wyoming	MDU Resources Group Inc.	D-20004-117-ER-16	Electric	Vertically Integrated	1/18/2017	9.45	50.99	Average / 2			9.45			50.99
Michigan	DTE Electric Co.	C-U-18014	Electric	Vertically Integrated	1/31/2017	10.10	NA	Average / 1	10.10			NA		
Arizona	Tucson Electric Power Co.	D-E-01933A-15-0322	Electric	Vertically Integrated	2/24/2017	9.75	50.03	Average / 3						50.03
Michigan	Consumers Energy Co.	C-U-17990	Electric	Vertically Integrated	2/28/2017	10.10	NA	Average / 1	10.10			NA		
Minnesota	Otter Tail Power Co.	D-E-017/GR-15-1033	Electric	Vertically Integrated	3/2/2017	9.41	52.50	Average / 2		9.41			52.50	
Oklahoma	Oklahoma Gas and Electric Co.	Ca-PUD201500273	Electric	Vertically Integrated	3/20/2017	9.50	53.31	Average / 2		9.50			53.31	
Florida	Gulf Power Co.	D-160186-EI	Electric	Vertically Integrated	4/4/2017	10.25	NA	Above Average / 3	10.25			NA		
Missouri	Kansas City Power & Light	C-ER-2016-0285	Electric	Vertically Integrated	5/3/2017	9.50	49.20	Average / 2		9.50			49.20	
Minnesota	Northern States Power Co. - MN	D-E-002/GR-15-826	Electric	Vertically Integrated	5/11/2017	9.20	52.50	Average / 2		9.20			52.50	
Arkansas	Oklahoma Gas and Electric Co.	D-16-052-U	Electric	Vertically Integrated	5/18/2017	9.50	NA	Average / 1	9.50			NA		
North Dakota	MDU Resources Group Inc.	C-PU-16-666	Electric	Vertically Integrated	6/16/2017	9.65	51.40	Average / 1		9.65		51.40		
Kentucky	Kentucky Utilities Co.	C-2016-00370	Electric	Vertically Integrated	6/22/2017	9.70	NA	Average / 1		9.70		NA		
Kentucky	Louisville Gas & Electric Co.	C-2016-00371 (elec.)	Electric	Vertically Integrated	6/22/2017	9.70	NA	Average / 1		9.70		NA		
Arizona	Arizona Public Service Co.	D-E-01345A-16-0036	Electric	Vertically Integrated	8/15/2017	10.00	55.80	Average / 3			10.00			55.80
California	San Diego Gas & Electric Co.	Advice No. 3120-E	Electric	Vertically Integrated	10/26/2017	10.20	52.00	Above Average / 3	10.20			52.00		
California	Pacific Gas and Electric Co.	Advice No. 3887-G/5148-E	Electric	Vertically Integrated	10/26/2017	10.25	52.00	Above Average / 3			10.25			52.00
California	Southern California Edison Co.	Advice No. 3665-E	Electric	Vertically Integrated	10/26/2017	10.30	48.00	Above Average / 3			10.30			48.00
Florida	Tampa Electric Co.	D-20170210-EI	Electric	Vertically Integrated	11/6/2017	10.25	NA	Above Average / 2	10.25			NA		
Alaska	Alaska Electric Light Power	D-U-16-086	Electric	Vertically Integrated	11/15/2017	11.95	58.18	Below Average / 1						58.18
Washington	Puget Sound Energy Inc.	D-UE-170033	Electric	Vertically Integrated	12/5/2017	9.50	48.50	Average / 3			9.50			48.50
Wisconsin	Northern States Power Co - WI	D-4220-UR-123 (Elec)	Electric	Vertically Integrated	12/7/2017	9.80	51.45	Above Average / 2	9.80			51.45		
Texas	Southwestern Electric Power Co	D-46449	Electric	Vertically Integrated	12/14/2017	9.60	48.46	Average / 3				9.60		48.46
Texas	El Paso Electric Co.	D-46831	Electric	Vertically Integrated	12/14/2017	9.65	48.35	Average / 3				9.65		48.35
Oregon	Portland General Electric Co.	D-UE-319	Electric	Vertically Integrated	12/18/2017	9.50	50.00	Average / 2		9.50			50.00	
New Mexico	Public Service Co. of NM	C-16-00276-UT	Electric	Vertically Integrated	12/20/2017	9.58	49.61	Below Average / 2			9.58			49.61
Vermont	Green Mountain Power Corp.	C-17-3112-INV	Electric	Vertically Integrated	12/21/2017	9.10	48.60	Average / 2		9.10			48.60	
Idaho	Avista Corp.	C-AVU-E-17-01	Electric	Vertically Integrated	12/28/2017	9.50	50.00	Average / 2		9.50			50.00	
Nevada	Nevada Power Co.	D-17-06003	Electric	Vertically Integrated	12/29/2017	9.51	49.99	Average / 2		9.51			49.99	

State	Company	Case Identification	Service	Case Type	Date	Return on			Top Third	Middle Third	Bottom Third	Top Third	Middle Third	Bottom Third
						Equity (%)	Equity Ratio (%)	RRA Rank	(Average/1 and higher)	(Average/2)	(Average/3 and lower)	(Average/1 and higher)	(Average/2)	(Average/3 and lower)
Kentucky	Kentucky Power Co.	C-2017-00179	Electric	Vertically Integrated	1/18/2018	9.70	41.68	Average / 1						
Oklahoma	Public Service Co. of OK	Ca-PUD201700151	Electric	Vertically Integrated	1/31/2018	9.30	48.51	Average / 3	9.70		9.30	41.68		48.51
Iowa	Interstate Power & Light Co.	D-RPU-2017-0001	Electric	Vertically Integrated	2/2/2018	9.98	49.02	Average / 1	9.98			49.02		
North Carolina	Duke Energy Progress LLC	D-E-2, Sub 1142	Electric	Vertically Integrated	2/23/2018	9.90	52.00	Average / 1	9.90			52.00		
Minnesota	ALLETE (Minnesota Power)	D-E-015/GR-16-664	Electric	Vertically Integrated	3/12/2018	9.25	53.81	Average / 2		9.25			53.81	
Michigan	Consumers Energy Co.	C-U-18322	Electric	Vertically Integrated	3/29/2018	10.00	NA	Above Average / 3	10.00			NA		
Michigan	Indiana Michigan Power Co.	C-U-18370	Electric	Vertically Integrated	4/12/2018	9.90	NA	Above Average / 3	9.90			NA		
Kentucky	Duke Energy Kentucky Inc.	C-2017-00321	Electric	Vertically Integrated	4/13/2018	9.73	49.25	Average / 1				49.25		
Michigan	DTE Electric Co.	C-U-18255	Electric	Vertically Integrated	4/18/2018	10.00	NA	Above Average / 3	10.00			NA		
Washington	Avista Corp.	D-UE-170485	Electric	Vertically Integrated	4/26/2018	9.50	48.50	Average / 3			9.50			48.50
Indiana	Indiana Michigan Power Co.	Ca-44967	Electric	Vertically Integrated	5/30/2018	9.95	NA	Average / 1	9.95			NA		
Hawaii	Hawaiian Electric Co.	D-2016-0328	Electric	Vertically Integrated	6/22/2018	9.50	57.10	Average / 2		9.50			57.10	
North Carolina	Duke Energy Carolinas LLC	D-E-7, Sub 1146	Electric	Vertically Integrated	6/22/2018	9.90	52.00	Average / 1	9.90			52.00		
Hawaii	Hawaii Electric Light Co	D-2015-0170	Electric	Vertically Integrated	6/29/2018	9.50	56.69	Average / 2		9.50			56.69	
New Mexico	Southwestern Public Service Co	C-17-00255-UT	Electric	Vertically Integrated	9/5/2018	9.56	53.97	Below Average / 2			9.56			53.97
Wisconsin	Wisconsin Power and Light Co	D-6680-UR-121 (Elec)	Electric	Vertically Integrated	9/14/2018	10.00	52.00	Above Average / 2	10.00			52.00		
Wisconsin	Madison Gas and Electric Co.	D-3270-UR-122 (Elec)	Electric	Vertically Integrated	9/20/2018	9.80	56.06	Above Average / 2	9.80			56.06		
North Dakota	Otter Tail Power Co.	C-PU-17-398	Electric	Vertically Integrated	9/26/2018	9.77	52.50	Average / 1	9.77			52.50		
Kansas	Westar Energy Inc.	D-18-WSEE-328-RTS	Electric	Vertically Integrated	9/27/2018	9.30	51.24	Below Average / 1			9.30			51.24
Indiana	Indianapolis Power & Light Co.	Ca-45029	Electric	Vertically Integrated	10/31/2018	9.99	NA	Average / 1	9.99			NA		
Kansas	Kansas City Power & Light	D-18-KCPE-480-RTS	Electric	Vertically Integrated	12/13/2018	9.30	49.09	Below Average / 1			9.30			49.09
Oregon	Portland General Electric Co.	D-UE-335	Electric	Vertically Integrated	12/14/2018	9.50	50.00	Average / 2		9.50			50.00	
Vermont	Green Mountain Power Corp.	C-18-0974-TF	Electric	Vertically Integrated	12/21/2018	9.30	49.85	Average / 3			9.30			49.85
Michigan	Consumers Energy Co.	C-U-20134	Electric	Vertically Integrated	1/9/2019	10.00	NA	Above Average / 3	10.00			NA		
West Virginia	Appalachian Power Co.	C-18-0646-E-42T	Electric	Vertically Integrated	2/27/2019	9.75	50.16	Below Average / 2			9.75			50.16
Oklahoma	Public Service Co. of OK	Ca-PUD201800097	Electric	Vertically Integrated	3/14/2019	9.40	NA	Average / 3			9.40			NA
Kentucky	Kentucky Utilities Co.	C-2018-00294	Electric	Vertically Integrated	4/30/2019	9.73	NA	Average / 1	9.73			NA		
Kentucky	Louisville Gas & Electric Co.	C-2018-00295 (elec.)	Electric	Vertically Integrated	4/30/2019	9.73	NA	Average / 1	9.73			NA		
South Carolina	Duke Energy Carolinas LLC	D-2018-319-E	Electric	Vertically Integrated	5/1/2019	9.50	53.00	Average / 3			9.50			53.00
Michigan	DTE Electric Co.	C-U-20162	Electric	Vertically Integrated	5/2/2019	10.00	NA	Above Average / 3	10.00			NA		
South Carolina	Duke Energy Progress LLC	D-2018-318-E	Electric	Vertically Integrated	5/8/2019	9.50	53.00	Average / 3			9.50			53.00
South Dakota	Otter Tail Power Co.	D-EL-18-021	Electric	Vertically Integrated	5/14/2019	8.75	52.92	Average / 2		8.75			52.92	
Hawaii	Maui Electric Company Ltd	D-2017-0150	Electric	Vertically Integrated	5/16/2019	9.50	57.02	Average / 2		9.50			57.02	
Michigan	Upper Peninsula Power Co.	C-U-20276	Electric	Vertically Integrated	5/23/2019	9.90	NA	Above Average / 3	9.90			NA		
Vermont	Green Mountain Power Corp.	C-19-1932-TF	Electric	Vertically Integrated	8/29/2019	9.06	49.46	Average / 3			9.06			49.46
Wisconsin	Northern States Power Co - WI	D-4220-UR-124 (Elec)	Electric	Vertically Integrated	9/4/2019	10.00	52.52	Above Average / 2	10.00			52.52		
Wisconsin	Wisconsin Electric Power Co.	D-05-UR-109 (WEP-Elec)	Electric	Vertically Integrated	10/31/2019	10.00	54.46	Above Average / 2	10.00			54.46		
Wisconsin	Wisconsin Public Service Corp.	D-6690-UR-126 (Elec)	Electric	Vertically Integrated	10/31/2019	10.00	51.96	Above Average / 2	10.00			51.96		
Louisiana - NOCC	Entergy New Orleans LLC	D-UD-18-07 (elec.)	Electric	Vertically Integrated	11/7/2019	9.35	50.00	Average / 2		9.35			50.00	
Idaho	Avista Corp.	C-AVU-E-1904	Electric	Vertically Integrated	11/29/2019	9.50	50.00	Average / 2		9.50			50.00	
Indiana	Northern IN Public Svc Co.	Ca-45159	Electric	Vertically Integrated	12/4/2019	9.75	NA	Average / 1	9.75			NA		
Georgia	Georgia Power Co.	D-42516	Electric	Vertically Integrated	12/17/2019	10.50	56.00	Above Average / 2	10.50			56.00		
California	San Diego Gas & Electric Co.	A-19-04-017 (Elec)	Electric	Vertically Integrated	12/19/2019	10.20	52.00	Average / 2		10.20			52.00	
California	Pacific Gas and Electric Co.	A-19-04-015	Electric	Vertically Integrated	12/19/2019	10.25	52.00	Average / 2		10.25			52.00	
California	Southern California Edison Co.	A-19-04-014	Electric	Vertically Integrated	12/19/2019	10.30	52.00	Average / 2		10.30			52.00	
Arkansas	Southwestern Electric Power Co	D-19-008-U	Electric	Vertically Integrated	12/20/2019	9.45	NA	Average / 1	9.45			NA		
Montana	NorthWestern Corp.	D2018.2.12	Electric	Vertically Integrated	12/20/2019	9.65	49.38	Below Average / 1			9.65			49.38
Nevada	Sierra Pacific Power Co.	D-19-06002	Electric	Vertically Integrated	12/24/2019	9.50	50.92	Average / 2		9.50			50.92	

State	Company	Case Identification	Service	Case Type	Date	Return on			Top Third	Middle Third	Bottom Third	Top Third	Middle Third	Bottom Third
						Equity (%)	Equity Ratio (%)	RRA Rank	(Average/1 and higher)	(Average/2)	(Average/3 and lower)	(Average/1 and higher)	(Average/2)	(Average/3 and lower)
Iowa	Interstate Power & Light Co.	D-RPU-2019-0001	Electric	Vertically Integrated	1/8/2020	10.02	51.00	Average / 1	10.02			51.00		
Michigan	Indiana Michigan Power Co.	C-U-20359	Electric	Vertically Integrated	1/23/2020	9.86	NA	Above Average / 3	9.86			NA		
California	PacifiCorp	A-18-04-002	Electric	Vertically Integrated	2/6/2020	10.00	51.96	Average / 2		10.00			51.96	
Colorado	Public Service Co. of CO	D-19AL-0268E	Electric	Vertically Integrated	2/11/2020	9.30	55.61	Average / 2		9.30			55.61	
North Carolina	Virginia Electric & Power Co.	E-22, Sub 562	Electric	Vertically Integrated	2/24/2020	9.75	52.00	Average / 1	9.75			52.00		
Indiana	Indiana Michigan Power Co.	Ca-45235	Electric	Vertically Integrated	3/11/2020	9.70	NA	Average / 1	9.70			NA		
Washington	Avista Corp.	D-UE-190334	Electric	Vertically Integrated	3/25/2020	9.40	48.50	Average / 3			9.40			48.50
Kentucky	Duke Energy Kentucky Inc.	C-2019-00271	Electric	Vertically Integrated	4/27/2020	9.25	48.23	Average / 1	9.25			48.23		
Michigan	DTE Electric Co.	C-U-20561	Electric	Vertically Integrated	5/8/2020	9.90	NA	Above Average / 3	9.90			NA		
New Mexico	Southwestern Public Service Co	C-19-00170-UT	Electric	Vertically Integrated	5/20/2020	9.45	54.77	Below Average / 2			9.45			54.77
Indiana	Duke Energy Indiana, LLC	Ca-45253	Electric	Vertically Integrated	6/29/2020	9.70	NA	Average / 1	9.70			NA		
Total Cases						107			54	26	27	27	26	25
Mean						9.74	51.20		9.91	9.53	9.60	51.29	51.58	50.71
Median						9.70	51.43		9.90	9.50	9.50	52.00	51.48	49.61
Maximum						11.95	58.18		10.55	10.30	11.95	57.16	57.10	58.18
Minimum						8.75	40.25		9.25	8.75	9.06	40.25	44.00	48.35
# >=9.60%						63								

Source: Regulatory Research Associates
 Note: Authorized equity ratios from Arkansas, Florida, Indiana, and Michigan have been excluded from the equity ratio analysis

1 **I. WITNESS IDENTIFICATION AND QUALIFICATIONS**

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

3 A. My name is Karl W. Newlin. My business address is 550 South Tryon Street,
4 Charlotte, North Carolina, 28202.

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

6 A. I am employed by Duke Energy Business Services, LLC (“DEBS”) as Senior
7 Vice President, Corporate Development and Treasurer. DEBS provides various
8 administrative and other services to Duke Energy Progress, LLC (“DE
9 Progress” or the “Company”) and other affiliated companies of Duke Energy
10 Corporation (“Duke Energy”).

11 **Q. DID YOU OFFER DIRECT AND REBUTTAL TESTIMONY IN THIS**
12 **PROCEEDING?**

13 A. Yes.

14 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

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

16 A. My testimony supports the capital structure proposed in the Second Agreement
17 and Stipulation of Partial Settlement by and between DE Progress and the
18 Public Staff (the “Second Partial Settlement”) when that provision is viewed as
19 part of the overall terms of the Second Partial Settlement. My Direct and
20 Rebuttal Testimony remain effective as applicable to the testimony of any non-
21 settling Party, and as to the point that cash flows, including from the unresolved
22 issue of coal ash, have an adverse impact on DE Progress’s financial health.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.**

2 A. The 52 percent to 48 percent equity-to-debt capital structure is reasonable and
3 appropriate when viewed in the context of the overall Second Partial
4 Settlement. All other things equal, credit rating agencies view the
5 constructiveness of the regulatory environment and the Company's ability to
6 timely recover prudently incurred costs as important ratings criteria in their
7 assessment of the Company's credit quality. The Second Partial Settlement, on
8 a stand-alone basis, demonstrates an ability to do this and I believe its approval
9 would be viewed by the rating agencies as constructive and equitable.

10 The Second Partial Settlement, however, leaves some issues unresolved,
11 including particularly the issue of the Company's recovery of coal ash basin
12 closure costs, as well as a return on those costs. The potential impact of coal
13 ash cost recovery upon the Company's cash flows is consequential, as I indicate
14 in my Rebuttal Testimony, and the potential impact upon cash flows has a
15 corresponding impact upon the Company's credit metrics, liquidity, and credit
16 ratings. This is a different matter than earnings. Even if a Company's earnings
17 are reasonable, if it lacks the cash to fund operations and provide an adequate
18 return to investors, then the Company's ability to raise capital – both debt and
19 equity – on reasonable terms is weakened. Ultimately, adverse cash flow
20 impacts also have an adverse impact upon customer rates – DE Progress's
21 customers benefit through lower electricity rates when the Company has lower

1 financing costs, ready access to capital, and more timely cash recovery of its
2 investments.

3 **III. SECOND PARTIAL SETTLEMENT**

4 **Q. PLEASE DESCRIBE YOUR INTERACTION WITH CREDIT RATING**
5 **AGENCIES.**

6 A. One of my primary responsibilities is to manage the relationship with each of
7 the major credit rating agencies for Duke Energy and all of its utility
8 subsidiaries, including DE Progress. I and my team maintain frequent and
9 regular contact with the agencies, providing them with information and updates
10 on Duke Energy and DE Progress.

11 **Q. HOW DO YOU BELIEVE THE AGENCIES WOULD LIKELY REACT**
12 **IF THE COMMISSION WERE TO APPROVE THE COMPANY'S**
13 **SECOND PARTIAL SETTLEMENT AGREEMENT WITH PUBLIC**
14 **STAFF?**

15 A. DE Progress's credit rating agencies view the constructiveness of the regulatory
16 environment and the Company's ability to recover prudently incurred costs as
17 important ratings criteria in their assessment of the credit quality of DE
18 Progress. The Second Partial Settlement demonstrates this ability, and I believe
19 its approval would be viewed by the rating agencies as constructive and
20 equitable. Approval of the Second Partial Settlement will support the
21 Company's ability to achieve its financial objectives, all other things being
22 equal and depending on the outcome of the unresolved issues in the case.

1 **Q. WHAT ARE DE PROGRESS'S FINANCIAL OBJECTIVES?**

2 A. As I discussed in my Direct and Rebuttal Testimony, the Company at all times
3 seeks to maintain its financial strength and flexibility, including its strong
4 investment-grade credit ratings, ensuring reliable access to capital on
5 reasonable terms. Financial strength and access to capital are necessary for DE
6 Progress to provide cost-effective, safe, environmentally-compliant, and
7 reliable service to its customers. Specific objectives that support financial
8 strength and flexibility include: (a) maintaining a reasonable common equity
9 component for DE Progress on a regulatory capitalization basis; (b) maintaining
10 current credit ratings; (c) ensuring timely recovery of prudently incurred costs;
11 (d) maintaining sufficient cash flows to meet obligations; and (e) maintaining a
12 sufficient return on equity to fairly compensate shareholders for their invested
13 capital. The ability to attract capital (both debt and equity) on reasonable terms
14 is vitally important to the DE Progress and its customers, and each of these help
15 the Company meet its overall financial objectives.

16 **Q. HOW DO CUSTOMERS BENEFIT FROM THE COMPANY'S STRONG**
17 **CREDIT RATINGS?**

18 A. To assure reliable and cost-effective service, fund infrastructure projects, and
19 refinance maturing debt, DE Progress must be able to finance without
20 interruption, regardless of capital market conditions. The lack of access to
21 capital can force interruption of capital projects to the long-term detriment of
22 customers, and both the financial crisis of 2008-09 and the COVID-related

1 market volatility during 2020 illustrate the importance of maintaining financial
2 strength and flexibility. Although market conditions have improved somewhat
3 from the extreme volatility of late March, they remain uncertain, and increased
4 volatility can return at any time. Strong credit ratings result in lower debt costs
5 for our customers and greater assurance of access to capital, even in challenging
6 market conditions.

7 **Q. WHAT ISSUES COULD AFFECT THE COMPANY'S CREDIT**
8 **RATINGS IN THIS CASE NOTWITHSTANDING THE APPROVAL OF**
9 **THE PROPOSED SECOND PARTIAL SETTLEMENT?**

10 A. The Commission's ultimate resolution of the unresolved issues in the case –
11 including timely recovery of and on coal ash basin closure costs – could affect
12 DE Progress's credit ratings and the overall financial health of DE Progress
13 notwithstanding approval of the Second Partial Settlement.

14 **Q. DOES THIS CONCLUDE YOUR PRE-FILED SETTLEMENT**
15 **TESTIMONY?**

16 A. Yes.

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-2, SUB 1219**

In the Matter of:)	
)	
DOCKET NO. E-2, SUB 1219	)	SECOND SETTLEMENT
Application of Duke Energy Progress, LLC For	)	TESTIMONY OF KIM H.
Adjustment of Rates and Charges Applicable to	)	SMITH FOR DUKE
Electric Service in North Carolina	)	ENERGY PROGRESS, LLC
)	

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT**
2 **POSITION.**

3 A. My name is Kim H. Smith, and my business address is 550 South Tryon Street,
4 Charlotte, North Carolina. I am a Director of Rates & Regulatory Planning,
5 employed by Duke Energy Carolinas, LLC (“DE Carolinas”), testifying on
6 behalf of Duke Energy Progress, LLC (“DE Progress” or the “Company”).

7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

8 A. Yes. I filed direct testimony and exhibits on October 30, 2019. I also filed
9 supplemental direct testimony and exhibits on March 13, 2020, rebuttal
10 testimony and exhibits on May 4, 2020, settlement testimony and exhibits on
11 June 2, 2020, second supplemental direct testimony and exhibits on July 2, 2020
12 and corrections to the second supplemental direct testimony and exhibits on
13 July 9, 2020.

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

15 A. The purpose of my testimony is to support the Second Agreement and
16 Stipulation of Partial Settlement (“Second Partial Settlement”) between the
17 Company and the Public Staff (“Stipulating Parties”). The Second Partial
18 Settlement was filed with the Commission on July 31, 2020.

1 **Q. DO YOU HAVE ANY EXHIBITS TO YOUR SECOND SETTLEMENT**
2 **SUPPORTING TESTIMONY?**

3 A. Yes. I am providing the following exhibits, all of which reflect the terms of the
4 Second Partial Settlement:

- 5 • Smith Second Settlement Exhibit 1 sets forth the operating results under
6 current and proposed base rates.
- 7 • Smith Second Settlement Exhibit 2 summarizes the total revenue
8 adjustments proposed in this proceeding, including the proposed
9 increase in base rates and the net reduction in revenues reflected in the
10 two proposed EDIT riders and the Regulatory Asset and Liability Rider.
- 11 • Smith Second Settlement Exhibit 3 is a reconciliation of adjustments to
12 base rate revenue requirements. The exhibit begins with the revenue
13 increase amounts shown in my Second Supplemental Exhibit 3S
14 corrected and details the additional adjustments for which the
15 Stipulating Parties reached agreement.
- 16 • Smith Second Settlement Exhibit 4 provides the revised computation of
17 the NC Retail amount of EDIT refund, based on the Public Staff's
18 recommendation of a levelized rider.

19 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR**
20 **DIRECTION AND SUPERVISION?**

21 A. Yes.

1 **III. CONCLUSION**

2 **Q. DO YOUR SECOND SETTLEMENT EXHIBITS REFLECT A CHANGE**
3 **IN THE REVENUE REQUIREMENT SOUGHT BY THE COMPANY IN**
4 **THIS PROCEEDING?**

5 A. Yes. If the Commission approves the Second Partial Settlement the Company
6 requests a revenue increase from base rates of \$409 million. In addition, the
7 Company requests that customer rates be reduced by \$147 million through its
8 proposed riders. As shown on Smith Second Settlement Exhibit 2, the net
9 proposed increase in revenue is \$262 million. This is a \$202 million reduction
10 from the amount proposed in the Company's Application. These amounts may
11 change based upon results from the Public Staff audit of the Company's May
12 updates included in its July 2, 2020 second supplemental filing. The Public Staff
13 audit is to be completed by September 15, 2020. In addition, these amounts
14 assume the Commission accepts the Company's position on unsettled issues,
15 thus are subject to change based on the Commission's decisions.

16 **Q. ARE THERE OTHER CHANGES TO THE COMPANY'S**
17 **APPLICATION FOR RATE INCREASE RESULTING FROM THE**
18 **SECOND PARTIAL SETTLEMENT?**

19 A. Yes. The Stipulating Parties agree that the Company will withdraw its request
20 for deferral accounting for Grid Improvement Plan programs that are not named
21 in the Second Partial Settlement as eligible for deferral. The Company hereby
22 withdraws its request for deferral accounting of such programs.

1 **Q. DOES THIS CONCLUDE YOUR SECOND SETTLEMENT**
2 **TESTIMONY?**

3 **A. Yes.**

DUKE ENERGY PROGRESS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Total Company Per Books (a) (Col. 1)	North Carolina Retail Operations				
			Per Books (Col. 2)	Accounting Adjustments (c) (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (e) (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 5,682,421	\$ 3,657,503	\$ (302,701)	\$ 3,354,802	\$ 408,933	\$ 3,763,735
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,429,144	881,642	(33,473)	848,169		848,169
3	Purchased power	390,677	158,763	(1,965)	156,798		156,798
4	Other operation and maintenance expense	1,546,719	1,050,819	(187,359)	863,460	1,510	864,970
5	Depreciation and amortization	1,060,260	669,787	236,153	905,941		905,941
6	General taxes	153,362	102,197	2,381	104,578		104,578
7	Interest on customer deposits	8,643 (b)	7,971	-	7,971		7,971
8	EDIT Amortization	-	-	(30,548)	(30,548)	-	(30,548)
9	Net income taxes	150,622	112,986	(49,656)	63,330	94,163	157,494
10	Amortization of investment tax credit	(3,356)	(2,134)	(1,481)	(3,614)		(3,614)
11	Total electric operating expenses	<u>4,736,071</u>	<u>2,982,032</u>	<u>(65,946)</u>	<u>2,916,085</u>	<u>95,673</u>	<u>3,011,759</u>
12	Operating income	<u>\$ 946,351</u>	<u>\$ 675,472</u>	<u>\$ (236,755)</u>	<u>\$ 438,717</u>	<u>\$ 313,259</u>	<u>\$ 751,976</u>
13	Original cost rate base	<u>\$ 14,580,739</u>	<u>\$ 9,859,050</u>	<u>\$ 934,441 (d)</u>	<u>\$ 10,793,491</u>	<u>\$ 51,938 (f)</u>	<u>\$ 10,845,429</u>
14	Rate of return on North Carolina retail rate base		<u>6.85%</u>		<u>4.06%</u>		<u>6.93%</u>

-- Some totals may not foot or compute due to rounding.

- Notes: (a) From Form E-1, Item 45a
(b) Reclassifies interest on customer deposits to electric operating expense
(c) From Page 3, Line 36
(d) From Page 4, Line 9
(e) From Page 2
(f) From Page 4d, Line 1. Reflects an increase in operating funds per lead-lag study for the adjusted total requirements in this rate case excluding the portion already adjusted in Col. 3, Line 12.

DUKE ENERGY PROGRESS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Dec. 31, 2018 Amount (Col. 1)	Pro forma Ratio (Col. 2)	North Carolina Retail Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 8,108,191	48.00%	\$ 5,180,876	4.04%	\$ 209,564	\$ 5,205,806	4.04%	\$ 210,572
2	Members' equity	(a) 8,717,931	52.00%	5,612,616	4.08%	229,153	5,639,623	9.60%	541,404
3	Total	<u>\$ 16,826,122</u>	<u>100.00%</u>	<u>\$ 10,793,491</u> (b)		<u>\$ 438,717</u> (c)	<u>\$ 10,845,429</u> (b)		751,976
4	Operating income before increase (Line 3, Column 5)								<u>438,717</u>
5	Additional operating income required (Line 3 minus Line 4)								313,259
6	Calculate income tax on Incremental interest expense due to increase in cash working capital in proposed revenue								(234)
7	Regulatory fee (.1297%), Uncollectibles Rate (.2394%), and income taxes (23.1693%)								<u>95,907</u>
8	Additional revenue requirement								<u>\$ 408,933</u>
9	Revenue Adjustments (d)								<u>\$ (146,897)</u>
10	Net Increase								<u><u>\$ 262,036</u></u>

-- Some totals may not foot or compute due to rounding.

- Notes: (a) The equivalent of common equity for a limited liability company
(b) From Page 1, Line 12, Columns 4 and 6
(c) From Page 1, Line 11, Column 4
(d) From Smith Exhibit 2, Line 5

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT Amortization (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
1	Annualize retail revenues for current rates	(225,760)	-	-	(833)	-	-	-	(52,114)	-	(172,813)
1(D)	Annualize retail revenues for current rates- Supplemental	24,093	-	-	89	-	-	-	5,562	-	18,443
2	Update fuel costs to proposed rate	-	(12,574)	-	-	(1,684)	-	-	3,304	-	10,955
2(F)	Update fuel costs to proposed rate- Rebuttal	-	24,010	-	-	1,684	-	-	(5,953)	-	(19,741)
3	* Normalize for weather	(77,392)	(18,180)	-	(286)	-	-	-	(13,653)	-	(45,273)
3(E)	Normalize for weather- Supplemental	4,882	(2,252)	-	18	-	-	-	1,649	-	5,467
4	* Annualize revenues for customer growth	5,182	2,857	-	19	-	-	-	534	-	1,771
4(J)	Annualize revenues for customer growth- Second Settlement	(13,548)	(8,812)	-	(50)	-	-	-	(1,086)	-	(3,600)
5	Eliminate unbilled revenues	11,826	-	-	-	-	-	-	2,740	-	9,086
6	Adjust for costs recovered through non-fuel riders	(27,830)	(18,522)	-	(136,112)	(58,446)	(6,458)	-	63,161	-	128,547
6(C)	Adjust for costs recovered through non-fuel riders- Supplemental	-	-	-	(31)	-	-	-	7	-	24
7	Adjust O&M for executive compensation	-	-	-	(2,399)	-	-	-	556	-	1,843
7(J)	Adjust O&M for executive compensation- Second Settlement	-	-	-	(187)	-	-	-	43	-	144
8	Annualize depreciation on year end plant balances	-	-	-	-	42,068	-	-	(9,747)	(1,481)	(30,841)
8(D)	Annualize depreciation on year end plant balances- Supplemental	-	-	-	-	(661)	-	-	153	-	508
9	Annualize property taxes on year end plant balances	-	-	-	-	-	4,064	-	(942)	-	(3,122)
10	* Adjust for post test year additions to plant in service	-	-	-	-	70,469	6,600	-	(17,857)	-	(59,213)
10(J)	Adjust for post test year additions to plant in service- Second Settlement	-	-	-	-	(2,200)	(850)	-	707	-	2,344
11	* Amortize deferred environmental costs	-	-	-	-	105,972	-	-	(24,553)	-	(81,419)
11(J)	Amortize deferred environmental costs- Second Settlement	-	-	-	-	(12,949)	-	-	3,000	-	9,949
12	Annualize O&M non-labor expenses	-	-	-	1,311	-	-	-	(304)	-	(1,007)
12(I)	Annualize O&M non-labor expenses- Second Supplemental	-	-	-	1,034	-	-	-	(240)	-	(794)
13	* Normalize O&M labor expenses	-	-	-	(18,512)	-	(1,089)	-	4,542	-	15,060
13(I)	Normalize O&M labor expenses- Second Supplemental	-	-	-	(722)	-	181	-	126	-	416
14	Update benefits costs	-	-	-	(3,060)	-	-	-	709	-	2,351
14(D)	Update benefits costs- Supplemental	-	-	-	(3,298)	-	-	-	764	-	2,534
15	* Levelize nuclear refueling outage costs	-	-	-	(6,232)	-	-	-	1,444	-	4,788
15(E)	Levelize nuclear refueling outage costs- Supplemental	-	-	-	42	-	-	-	(10)	-	(32)
16	* Amortize rate case costs	-	-	-	701	-	-	-	(162)	-	(539)
16(G)	Amortize rate case costs- Partial Settlement	-	-	-	-	-	-	-	-	-	-
17	Adjust aviation expenses	-	-	-	(1,452)	-	(18)	-	341	-	1,129
17(G)	Adjust aviation expenses- Partial Settlement	-	-	-	(205)	-	-	-	47	-	157

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power and Net Interchange (Col. 3)	Wages Benefits Materials Etc. (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT Amortization (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
18	Adjust for approved regulatory assets and liabilities	-	-	-	1,603	(3,479)	5	-	434	-	1,438
19	* Adjust for Merger Related Costs	-	-	-	(4,039)	(172)	(53)	-	988	-	3,276
19(I)	Adjust for Merger Related Costs	-	-	-	-	(12)	-	-	3	-	10
20	* Amortize Severance Costs	-	-	-	(23,366)	-	-	-	5,414	-	17,952
20(G)	Amortize Severance Costs- Partial Settlement	-	-	-	(774)	-	-	-	179	-	594
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	(2,183)	-	2,183
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	123	-	(123)
22(J)	Synchronize interest expense with end of period rate base- Second Settlement	-	-	-	-	-	-	-	264	-	(264)
23	* Adjust cash working capital	-	-	-	-	-	-	-	122	-	(122)
23(J)	Adjust cash working capital- Second Settlement	-	-	-	-	-	-	-	(23)	-	23
24	Adjust coal inventory	-	-	-	-	-	-	-	-	-	-
24(C)	Adjust coal inventory- Supplemental	-	-	-	-	-	-	-	-	-	-
25	* Adjust for credit card fees	-	-	-	5,197	-	-	-	(1,204)	-	(3,993)
25(F)	Adjust for credit card fees- Rebuttal	-	-	-	72	-	-	-	(17)	-	(55)
26	Adjust Depreciation for new rates	-	-	-	-	89,601	-	-	(20,760)	-	(68,841)
26(D)	Adjust Depreciation for new rates- Supplemental	-	-	-	-	(873)	-	-	202	-	671
27	Adjust vegetation management expenses	-	-	-	5,757	-	-	-	(1,334)	-	(4,424)
28	Adjust reserve for end of life nuclear costs	-	-	-	-	(91)	-	-	21	-	70
28(G)	Adjust reserve for end of life nuclear costs- Partial Settlement	-	-	-	-	(1,826)	-	-	423	-	1,403
29	* Update deferred balance and amortize storm costs	-	-	-	-	43,717	-	-	(10,129)	-	(33,588)
29(I)	Update deferred balance and amortize storm costs- Second Supplemental	-	-	-	-	(45,362)	-	-	10,510	-	34,852
30	Adjust other revenue	(4,155)	-	-	(5)	-	-	-	(962)	-	(3,188)
31	Adjust for change in NCUC Reg Fee	-	-	-	(234)	-	-	-	54	-	180
32	* Reflect retirement of Asheville Steam Generating Plant	-	-	-	(6,413)	(181)	(1,032)	-	1,767	-	5,859
32(F)	Reflect retirement of Asheville Steam Generating Plant- Rebuttal	-	-	-	-	10,381	1,032	-	(2,644)	-	(8,769)
33	Adjust for CertainTeed payment obligation	-	-	-	4,939	-	-	-	(1,144)	-	(3,794)
33(A)	Adjust for CertainTeed payment obligation- Supplemental	-	-	-	(4,939)	-	-	-	1,144	-	3,794
34	* Amortize deferred balance Asheville Combined Cycle	-	-	-	6,109	13,594	-	-	(4,565)	-	(15,138)
34(J)	Amortize deferred balance Asheville Combined Cycle- Second Settlement	-	-	-	(7,568)	(4,696)	-	-	2,842	-	9,423

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power and Net Interchange (Col. 3)	Wages Benefits Materials Etc. (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	EDIT 0.0000% (Col. 7)	Income Taxes 23.1693% (Col. 8)	Amortization of ITC (Col. 9)	Operating Income (Col. 10)
35	Adjust Purchased Power	-	-	(1,965)	-	-	-	-	455	-	1,510
36(E)	Correct Lead Lag- Supplemental	-	-	-	-	-	-	-	-	-	-
37(G)	Amortize Prot EDIT- Partial Settlement	-	-	-	-	-	-	(30,548)	7,078	-	23,470
38(J)	Remove certain Settlement Items- Second Settlement	-	-	-	(2,834)	(8,700)	-	-	2,672	-	8,861
39(G)	Normalize for storm costs- Partial Settlement	-	-	-	9,300	-	-	-	(2,155)	-	(7,145)
40(J)	Adjust Rate Base for EDIT- Second Settlement	-	-	-	-	-	-	-	-	-	-
41	Total adjustments - Original Filing	\$ (318,129)	\$ (46,419)	\$ (1,965)	\$ (177,306)	\$ 301,368	\$ 2,018	\$ -	\$ (74,904)	\$ (1,481)	\$ (319,441)
41(J)	Change from Application	15,428	12,946	-	(10,053)	(65,215)	363	(30,548)	25,249	-	82,686
42	Total adjustments	<u>\$ (302,701)</u>	<u>\$ (33,473)</u>	<u>\$ (1,965)</u>	<u>\$ (187,359)</u>	<u>\$ 236,153</u>	<u>\$ 2,381</u>	<u>\$ (30,548)</u>	<u>\$ (49,656)</u>	<u>\$ (1,481)</u>	<u>\$ (236,755)</u>

-- Some totals may not foot or compute due to rounding.

Notes: * Identification required by NCUC Rule R1-17(b)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
1	Annualize retail revenues for current rates	-	-	-	-	-	-	-	-	225,760	-	225,760
1(D)	Annualize retail revenues for current rates- Supplemental	-	-	-	-	-	-	-	-	(24,093)	-	(24,093)
2	Update fuel costs to proposed rate	-	-	-	-	-	-	-	-	(14,311)	-	(14,311)
2(F)	Update fuel costs to proposed rate- Rebuttal	-	-	-	-	-	-	-	-	25,789	-	25,789
3	* Normalize for weather	-	-	-	-	-	-	-	-	59,144	-	59,144
3(E)	Normalize for weather- Supplemental	-	-	-	-	-	-	-	-	(7,142)	-	(7,142)
4	* Annualize revenues for customer growth	-	-	-	-	-	-	-	-	(2,314)	-	(2,314)
4(J)	Annualize revenues for customer growth- Second Settlement	-	-	-	-	-	-	-	-	4,703	-	4,703
5	Eliminate unbilled revenues	-	-	-	-	-	-	-	-	(11,869)	-	(11,869)
6	Adjust for costs recovered through non-fuel riders	(978,325)	158,734	(157,453)	(150,987)	90,146	-	-	(1,037,885)	(167,932)	(94,010)	(261,943)
6(C)	Adjust for costs recovered through non-fuel riders- Supplemental	-	-	-	-	-	-	-	-	(31)	6,423	6,392
7	Adjust O&M for executive compensation	-	-	-	-	-	-	-	-	(2,408)	-	(2,408)
7(J)	Adjust O&M for executive compensation- Second Settlement	-	-	-	-	-	-	-	-	(188)	-	(188)
8	Annualize depreciation on year end plant balances	-	-	-	-	-	-	-	-	40,290	-	40,290
8(D)	Annualize depreciation on year end plant balances- Supplemental	-	-	-	-	-	-	-	-	(663)	-	(663)
9	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-	4,079	-	4,079
10	* Adjust for post test year additions to plant in service	1,845,936	(383,473)	-	(1,458)	(31,249)	-	(102,930)	1,326,826	77,355	120,182	197,537
10(J)	Adjust for post test year additions to plant in service- Second Settlement	(187,320)	195,347	-	20,220	(25,761)	-	-	2,486	(3,062)	(8,002)	(11,064)
11	* Amortize deferred environmental costs	-	-	-	423,886	(98,212)	-	-	325,675	106,364	29,499	135,863
11(J)	Amortize deferred environmental costs- Second Settlement	-	-	-	(36,795)	8,525	-	-	(28,270)	(12,997)	(4,401)	(17,398)
12	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-	1,316	-	1,316
12(I)	Annualize O&M non-labor expenses- Second Supplemental	-	-	-	-	-	-	-	-	1,038	-	1,038
13	* Normalize O&M labor expenses	-	-	-	-	-	-	-	-	(19,674)	-	(19,674)
13(I)	Normalize O&M labor expenses- Second Supplemental	-	-	-	-	-	-	-	-	(544)	-	(544)
14	Update benefits costs	-	-	-	-	-	-	-	-	(3,071)	-	(3,071)
14(D)	Update benefits costs- Supplemental	-	-	-	-	-	-	-	-	(3,310)	-	(3,310)
15	* Levelize nuclear refueling outage costs	-	-	-	-	-	-	-	-	(6,255)	-	(6,255)
15(E)	Levelize nuclear refueling outage costs- Supplemental	-	-	-	-	-	-	-	-	42	-	42
16	* Amortize rate case costs	-	-	-	2,670	(619)	-	-	2,051	704	186	889
16(G)	Amortize rate case costs- Partial Settlement	-	-	-	(2,670)	619	-	-	(2,051)	-	(186)	(186)
17	Adjust aviation expenses	-	-	-	-	-	-	-	-	(1,475)	-	(1,475)
17(G)	Adjust aviation expenses- Partial Settlement	-	-	-	-	-	-	-	-	(206)	-	(206)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
18	Adjust for approved regulatory assets and liabilities	-	-	-	(83,851)	19,428	-	-	(64,423)	(1,878)	(5,437)	(7,315)
19	* Adjust for Merger Related Costs	-	347	-	-	-	-	-	347	(4,280)	31	(4,248)
19(I)	Adjust for Merger Related Costs	(558)	55	-	-	-	-	-	(504)	(12)	(45)	(57)
20	* Amortize Severance Costs	-	-	-	23,297	(5,398)	-	-	17,899	(23,453)	1,621	(21,832)
20(G)	Amortize Severance Costs- Partial Settlement	-	-	-	(23,297)	5,398	-	-	(17,899)	(777)	(1,621)	(2,398)
21	Adjust NC income taxes for rate change	-	-	-	-	-	-	-	-	(2,851)	-	(2,851)
22	* Synchronize interest expense with end of period rate base	-	-	-	-	-	-	-	-	160	-	160
22(J)	Synchronize interest expense with end of period rate base- Second Settlement	-	-	-	-	-	-	-	-	345	-	345
23	* Adjust cash working capital	-	-	-	(27,013)	-	-	-	(27,013)	160	(2,447)	(2,287)
23(J)	Adjust cash working capital- Second Settlement	-	-	-	4,952	-	-	-	4,952	(30)	585	555
24	Adjust coal inventory	-	-	9,641	-	-	-	-	9,641	-	873	873
24(C)	Adjust coal inventory- Supplemental	-	-	(21,244)	-	-	-	-	(21,244)	-	(1,852)	(1,852)
25	* Adjust for credit card fees	-	-	-	-	-	-	-	-	5,217	-	5,217
25(F)	Adjust for credit card fees- Rebuttal	-	-	-	-	-	-	-	-	72	-	72
26	Adjust Depreciation for new rates	-	(88,728)	-	-	-	-	-	(88,728)	89,933	(8,037)	81,896
26(D)	Adjust Depreciation for new rates- Supplemental	-	-	-	-	-	-	-	-	(876)	549	(327)
27	Adjust vegetation management expenses	-	-	-	-	-	-	-	-	5,779	-	5,779
28	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-	(91)	-	(91)
28(G)	Adjust reserve for end of life nuclear costs- Partial Settlement	-	-	-	-	-	-	-	-	(1,833)	-	(1,833)
29	* Update deferred balance and amortize storm costs	-	-	-	612,045	(141,807)	-	-	470,238	43,879	42,594	86,473
29(I)	Update deferred balance and amortize storm costs- Second Supplemental	(68,639)	2,231	-	(612,045)	141,807	-	-	(536,647)	(45,530)	(48,198)	(93,728)
30	Adjust other revenue	-	-	-	-	-	-	-	-	4,165	-	4,165
31	Adjust for change in NCUC Reg Fee	-	-	-	-	-	-	-	-	(235)	-	(235)
32	* Reflect retirement of Asheville Steam Generating Plant	(287,052)	210,671	(7,002)	65,929	(15,275)	-	-	(32,730)	(7,654)	(2,965)	(10,619)
32(F)	Reflect retirement of Asheville Steam Generating Plant- Rebuttal	287,052	(210,671)	(73)	(1,339)	310	-	-	75,279	11,456	6,555	18,011
33	Adjust for CertainTeed payment obligation	-	-	-	-	-	-	-	-	4,957	-	4,957
33(A)	Adjust for CertainTeed payment obligation- Supplemental	-	-	-	-	-	-	-	-	(4,957)	-	(4,957)
34	* Amortize deferred balance Asheville Combined Cycle	-	-	3,735	27,188	(6,299)	-	-	24,624	19,776	2,230	22,006
34(J)	Amortize deferred balance Asheville Combined Cycle- Second Settlement	-	-	(248)	(27,188)	6,299	-	-	(21,136)	(12,310)	(1,936)	(14,246)

DUKE ENERGY PROGRESS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	EPIS (Col. 1)	Accum Deprec (Col. 2)	Materials & Supplies (Col. 3)	Working Capital (Col. 4)	ADIT (Col. 5)	Operating Reserves (Col. 6)	CWIP (Col. 7)	Rate Base (Col. 8)	Oper Inc Rev Req Impact (Col. 9)	R/B Rev Req Impact (Col. 10)	Total Rev Req Impact (Col. 11)
35	Adjust Purchased Power	-	-	-	-	-	-	-	-	(1,972)	-	(1,972)
36(E)	Correct Lead Lag- Supplemental	-	-	-	(8,580)	-	-	-	(8,580)	-	(724)	(724)
37(G)	Amortize Prot EDIT- Partial Settlement	-	-	-	30,548	(7,078)	-	-	23,470	(30,661)	1,981	(28,680)
38(J)	Remove certain Settlement Items- Second Settlement	-	-	-	-	-	-	-	-	(11,576)	-	(11,576)
39(G)	Normalize for storm costs- Partial Settlement	-	-	-	-	-	-	-	-	9,334	-	9,334
40(J)	Adjust Rate Base for EDIT- Second Settlement	-	-	-	-	538,063	-	-	538,063	-	45,407	45,407
41	Total adjustments - Original Filing	\$ 580,558	\$ (102,448)	\$ (151,079)	\$ 891,707	\$ (189,284)	\$ -	\$ (102,930)	\$ 926,524	\$ 417,313	\$ 78,189	\$ 495,502
41(J)	Change from Application	30,535	(13,039)	(21,565)	(656,195)	668,182	-	-	7,917	(108,020)	668	(107,352)
42	Total adjustments	\$ 611,093	\$ (115,487)	\$ (172,644)	\$ 235,512	\$ 478,898	\$ -	\$ (102,930)	\$ 934,441	\$ 309,293	\$ 78,857	\$ 388,150

-- Some totals may not foot or compute due to rounding.

Notes: * Identification required by NCUC Rule R1-17(b)

DUKE ENERGY PROGRESS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Page Reference	Total Company	North Carolina Retail Operations		
			Per Books (Col. 1)	Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 27,775,617	\$ 18,805,911	\$ 611,093	\$ 19,417,003
2	Less: Accumulated depreciation and amortization	4b	<u>(11,648,793)</u>	<u>(8,042,060)</u>	<u>(115,487)</u>	<u>(8,157,546)</u>
3	Net electric plant		16,126,825	10,763,851	495,606	11,259,457
4	Add: Materials and supplies	4c	1,076,701	754,774	(172,644)	582,130
5	Working capital investment	4d	(642,895)	(375,172)	235,512	(139,660)
6	Less: Accumulated deferred taxes		(2,000,064)	(1,332,628)	478,898	(853,730)
7	Operating reserves		(82,759)	(54,705)	-	(54,705)
8	Construction work in progress	3	<u>102,930</u>	<u>102,930</u>	<u>(102,930)</u>	<u>(0)</u>
9	Total		<u>\$ 14,580,739</u>	<u>\$ 9,859,050</u>	<u>\$ 934,441</u>	<u>\$ 10,793,491</u>

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 16,551,690	\$ 10,056,520	\$ (179,365)	\$ 9,877,155
2	Transmission Plant	2,746,389	1,643,263	264,402	1,907,665
3	Distribution Plant	6,944,764	6,052,263	433,108	6,485,371
4	General Plant	628,616	465,435	68,399	533,833
5	Intangible Plant	<u>527,370</u>	<u>358,178</u>	<u>51,912</u>	<u>410,090</u>
6	Subtotal	27,398,830	18,575,658	638,456	19,214,114
7	Nuclear Fuel (Net)	<u>376,788</u>	<u>230,252</u>	<u>(27,363)</u>	<u>202,889</u>
8	Total electric plant in service	<u>\$ 27,775,617</u>	<u>\$ 18,805,911</u>	<u>\$ 611,093</u>	<u>\$ 19,417,003</u>

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (7,107,080)	\$ (4,390,758)	\$ (50,423)	\$ (4,441,180)
2	Transmission Reserve	(816,198)	(488,611)	(27,693)	(516,304)
3	Distribution Reserve	(3,235,148)	(2,819,386)	26,382	(2,793,003)
4	General Reserve	(167,536)	(124,045)	(30,822)	(154,867)
5	Intangible Reserve	<u>(322,831)</u>	<u>(219,260)</u>	<u>(32,932)</u>	<u>(252,192)</u>
6	Total	<u>\$ (11,648,793)</u>	<u>\$ (8,042,060)</u>	<u>\$ (115,487)</u>	<u>\$ (8,157,546)</u>
7	The annual composite rates based on the new depreciation study for computing depreciation (straight-line method) are shown below:				
8	Steam production plant	0.00%			
9	Nuclear production plant	0.00%			
10	Hydro production plant	0.00%			
11	Other production plant	2.61%			
12	Transmission plant	5.18%			
13	Distribution plant	1.90%			
14	General plant	Various			
15	Intangible plant	20.00%			

-- Some totals may not foot or compute due to rounding.

DUKE ENERGY PROGRESS, LLC
MATERIALS AND SUPPLIES
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Total Company Per Books (Col. 1)	North Carolina Retail Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 87,298	\$ 53,347	\$ (18,678) (a)	\$ 34,669
2	Oil	113,740	69,506	-	69,506
3	Total fuel stock	201,037	122,853	(18,678)	104,174
4	Other electric materials and supplies and stores clearing	875,663	631,921	(153,966)	477,956
5	Total Materials and Supplies	<u>\$ 1,076,701</u>	<u>\$ 754,774</u>	<u>\$ (172,644)</u>	<u>\$ 582,130</u>

-- Some totals may not foot or compute due to rounding.

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 35 days at full load

DUKE ENERGY PROGRESS, LLC
WORKING CAPITAL INVESTMENT
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Line No.	Description	Total Company	North Carolina Retail Operations			Impact of Rev Incr	With Rev Incr
		Per Books	Per Books	Accounting Adjustments	As Adjusted		
		(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)
1	Investor advanced funds: Operating funds per lead-lag study	238,679 (a)	160,141 (a)	(30,642) (b)	129,499	51,938 (c)	181,437
2	Unamortized Debt	47,722	32,019	-	32,019	-	32,019
3	Regulatory Assets	(781,496)	(437,291)	266,154	(171,137)	-	(171,137)
4	Other	<u>(10,529)</u>	<u>(13,453)</u>	<u>-</u>	<u>(13,453)</u>	<u>-</u>	<u>(13,453)</u>
5	Total investor advanced funds	<u>(505,624)</u>	<u>(258,584)</u>	<u>235,512</u>	<u>(23,072)</u>	<u>51,938</u>	<u>28,866</u>
6	Less: customer deposits	<u>(137,271)</u>	<u>(116,588)</u>	<u>-</u>	<u>(116,588)</u>	<u>-</u>	<u>(116,588)</u>
7	Total working capital investment	<u>\$ (642,895)</u>	<u>\$ (375,172)</u>	<u>\$ 235,512</u>	<u>\$ (139,660)</u>	<u>\$ 51,938</u>	<u>\$ (87,722)</u>

-- Some totals may not foot or compute due to rounding.

- Notes: (a) From Angers Exhibit 2, Line 16 and Line 19
(b) Reflects a decrease in "operating funds per lead-lag study" for the adjusted total requirements in this rate case
(c) Reflects an increase in "operating funds per lead-lag study" for the impact of the revenue increase

DUKE ENERGY PROGRESS, LLC
DOCKET NO. E-2, SUB 1219
SUPPLEMENTAL CHANGES TO OP INCOME AND RATE BASE
FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 1
Second Settlement

Smith Exhibit 1 Supplemental Rebuttal

Line No.	Description	Ref #	SUMMARY OF PROPOSED REVENUE ADJUSTMENTS					
			Application	Partial Settlement	Second Supplemental	Second Supplemental \$	Second Settlement	Total Adjustments
1	Additional base revenue requirement	Smith Exhibit 1	\$ 585,961	\$ 585,961	\$ 585,961	\$ 585,961	\$ 585,961	\$ 585,961
2	REVISED Annual EDIT Rider 1	Smith Exhibit 3	7,381	7,381	7,381	7,381	7,381	7,381
3	Annual EDIT Rider 2 - Year 1 giveback	Smith Exhibit 4	(127,633)	(96,523)	(96,523)	(96,289)	(152,348)	(152,348)
4	Regulatory Asset and Liability Rider	Smith Exhibit 5	(2,091)	(2,091)	(2,091)	(2,091)	(2,091)	(2,091)
5	Revenue impact of Company update		(173,156)	(147,750)	(147,750)	(196,524)	(177,029)	(177,029)
6	Net Revenue Increase		\$ 463,619	\$ 321,573	\$ 346,979	\$ 298,439	\$ 261,875	\$ 261,875

CHANGE IN OP INCOME

Line No.	Description	Ref #	CHANGE IN OP INCOME						Total Adjs [1]
			Application	Partial Settlement	Second Supplemental	Second Supplemental \$	Second Settlement	Total Adjs	
10	Annualize retail revenues for current rates	NC-0100	\$ (172,813)	\$ -	\$ -	\$ -	\$ -	\$ (154,370)	
11	Update fuel costs to proposed rate	NC-0200	10,955	-	-	-	-	(8,786)	
12	Normalize for weather	NC-0300	(45,273)	-	-	-	-	(39,806)	
13	Annualize revenues for customer growth	NC-0400	1,771	-	(2,771)	-	696	(1,829)	
14	Eliminate unbilled revenues	NC-0500	9,086	-	-	-	-	9,086	
15	Adjust for costs recovered through non-fuel riders	NC-0600	128,547	-	-	-	-	128,571	
16	Adjust O&M for executive compensation	NC-0700	1,843	124	-	-	20	1,987	
17	Annualize depreciation on year end plant balances	NC-0800	(30,841)	-	-	-	-	(30,333)	
18	Annualize property taxes on year end plant balances	NC-0900	(3,122)	-	-	-	-	(3,122)	
19	Adjust for post test year additions to plant in service	NC-1000	(59,213)	(9)	(4,732)	-	-	(56,870)	
20	Amortize deferred environmental costs	NC-1100	(81,419)	-	-	-	2,305	(71,470)	
21	Annualize O&M non-labor expenses	NC-1200	(1,007)	37	1,420	-	-	(1,802)	
22	Normalize O&M labor expenses	NC-1300	15,060	3,009	(3,633)	-	-	15,476	
23	Update benefits costs	NC-1400	2,351	-	-	-	-	4,885	
24	Levelize nuclear refueling outage costs	NC-1500	4,788	-	-	-	-	4,756	
25	Amortize rate case costs	NC-1600	(539)	-	-	-	-	(539)	
26	Adjust aviation expenses	NC-1700	1,129	157	-	-	-	1,287	
27	Adjust for approved regulatory assets and liabilities	NC-1800	1,438	-	-	-	-	1,438	
28	Adjust for Merger Related Costs	NC-1900	3,276	-	2	-	-	3,285	
29	Amortize Severance Costs	NC-2000	17,952	-	-	-	-	18,547	
30	Adjust NC income taxes for rate change	NC-2100	2,183	-	-	-	-	2,183	
31	Synchronize interest expense with end of period rate base	NC-2200	(123)	(2,433)	623	978	1,717	(387)	
32	Adjust cash working capital	NC-2300	(122)	17	(9)	(7)	(6)	(99)	
33	Adjust coal inventory	NC-2400	-	-	-	-	-	-	
34	Adjust for credit card fees	NC-2500	(3,993)	-	-	-	-	(4,048)	
35	Adjust Depreciation for new rates	NC-2600	(68,841)	-	-	-	-	(68,170)	
36	Adjust vegetation management expenses	NC-2700	(4,424)	-	-	-	-	(4,424)	
37	Adjust reserve for end of life nuclear costs	NC-2800	70	1,403	-	-	-	1,473	
38	Update deferred balance and amortize storm costs	NC-2900	(33,588)	34,448	7	0	-	1,264	
39	Adjust other revenue	NC-3000	(3,188)	-	-	-	-	(3,188)	
40	Adjust for change in NCUC Reg Fee	NC-3100	180	-	-	-	-	180	
41	Reflect retirement of Asheville Steam Generating Plant	NC-3200	5,859	-	-	-	-	(2,910)	
42	Adjust for CertainTeed payment obligation	NC-3300	(3,794)	-	-	-	-	-	
43	Amortize deferred balance Asheville Combined Cycle	NC-3400	(15,138)	4,299	-	-	56	(5,715)	
44	Adjust Purchased Power	NC-3500	1,510	-	-	-	-	1,510	
45	Correct Lead Lag	NC-3600	-	-	-	-	-	-	
46	Amortize Prot EDIT	NC-3700	-	23,470	-	-	-	23,470	
47	Remove certain Settlement Items	NC-3800	-	2,177	-	-	6,684	8,861	
48	Normalize for storm costs	NC-3900	-	(7,145)	-	-	-	(7,145)	
49	Adjust Rate Base for EDIT	NC-4000	-	-	-	-	-	-	
50									
51	Adjustments		\$ (319,441)	\$ 59,554	\$ (9,094)	\$ 971	\$ 11,472	\$ (236,755)	

CHANGE IN RATE BASE

Application	Partial Settlement	Second Supplemental	Second Supplemental \$	Second Settlement	Total Change [2]
(1,037,885)	-	-	-	-	(1,037,885)
1,326,826	(1,507)	139,224	-	-	1,329,312
325,675	-	-	-	2,305	297,405
(539)	(2,051)	-	-	-	(2,590)
17,899	(16,717)	-	-	-	1,182
(27,013)	3,904	(2,116)	(1,069)	(1,562)	(22,061)
9,641	-	-	-	-	9,641
(88,728)	-	-	-	-	(88,728)
470,238	(531,121)	27	-	-	(66,408)
(32,730)	-	-	-	-	(32,730)
24,624	(16,124)	-	-	-	8,500
-	-	-	-	-	-
-	23,470	-	-	-	23,470
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	538,063	538,063
\$ 926,524	\$ (540,146)	\$ 137,082	\$ (1,069)	\$ 538,806	\$ 934,441

53	Operating income	[3]	675,472	675,472	675,472	675,472	675,472	675,472	Rate base	[4]	9,859,050	9,859,050	9,859,050	9,859,050	9,859,050	9,859,050
54	Total Adjustments		(319,441)	(240,104)	(249,198)	(248,227)	(236,755)	(236,755)	Total Adjustments		926,524	259,622	396,705	395,635	934,441	934,441
55	Adjusted Net Operating Income		356,031	435,367	426,273	427,244	438,717	438,717	Adjusted Rate Base		10,785,574	10,118,673	10,255,755	10,254,686	10,793,491	10,793,491
56																
57	Revenue Requirement Impact		417,313	(77,801)	11,880	(1,269)	(14,987)	309,293			78,189	(45,583)	11,568	(90)	45,470	78,857
			417,313	313,669	325,549	324,280	309,293	309,293			78,189	21,909	33,478	33,388	78,857	78,857

[1] Smith Exhibit 1, page 3, Column 9
[2] Smith Exhibit 1, page 3 (continued), Column 8-11
[3] Smith Exhibit 1, page 1, Line 11
[4] Smith Exhibit 1, page 1, Line 12

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize revenues for customer growth
For the test period ended December 31, 2018

NC-0400
Second Settlement

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro forma annualizes revenue, fuel expense, operation and maintenance expense, and income taxes to reflect changes in the number of customers and usage per customer during the test period.

The impact to revenue was determined as follows:

To determine the additional revenue requirement resulting from customer growth, the monthly increase in number of customers was multiplied by the applicable average monthly kWh consumption per customer to derive the annualized change in kWh consumption based on the number of customers at the end of the test period.

The impact to fuel expense was determined by multiplying the 'Customer growth adjustment to KWH sales - NC kWh adjustment' by the most recent approved fuel rate (excluding EMF).

The impact to other operation and maintenance expense is determined by multiplying the impact to revenue by the statutory regulatory fee percentage rate and the uncollectibles rate.

The impact to income taxes was determined by multiplying taxable income by the statutory tax rate.

This adjustment updates revenues to reflect customer growth experienced beyond the test period, through July 2019. The underlying calculations reflect the same methods used in the Company's rebuttal testimony as explained by Company Witness Pirro in Docket E-2 Sub 1142.

October update

Updated NC-0403 for weather impacts in NC-300 and customer growth information through October 2019

November update

Updated NC-0403 for weather impacts in NC-300 and customer growth information through November 2019

December update

Updated NC-0403 for weather impacts in NC-300 and customer growth information through December 2019
NC-0404 was adjusted to calculate Residential ϕ / kWh excluding the Basic Customer Charge

January update

Updated NC-0403 for weather impacts in NC-300 and customer growth information through January 2020

February update

NC-0402 and NC-0403 now reflect separate adjustments for Customer Growth and Usage
Updated NC-0403 for weather impacts in NC-300 and customer growth information through February 2020
NC-0404 was adjusted to reflect the ϕ / kWh both with and excluding the Basic Customer Charge

May update

Updated customer growth and usage kWh through May 2020

Second Settlement

Adjustment to reduce May update by 75% per settlement agreement

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0400
Second Settlement

Line No.	Description	Source	Second Settlement	Total NC Retail Second Supplemental	Application	Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue	NC-0401	\$ (8,366)	\$ (10,443)	\$ 5,182	(13,548)
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation	NC-0401	(5,955)	(7,118)	2,857	(8,812)
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-0401	(31)	(39)	19	(50)
11	Depreciation and amortization		-	-	-	-
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-0401	(551)	(761)	534	(1,086)
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(6,537)	(7,918)	3,411	(9,948)
18						
19	Operating income	L4 - L17	\$ (1,829)	\$ (2,525)	\$ 1,771	\$ (3,600)
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization		-	-	-	-
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	-	-	-
35						
36						
37	Less:					
38	Accumulated deferred taxes		-	-	-	-
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

Smith Second Settlement Exhibit 1

NC-0401
Second Settlement

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

Line No.	Description	Residential	Small General Service	Medium General Service	Large General Service	SI NCSI	Area Service Lighting	Sports Field Lighting Service NCSFL	Street Lighting Service NCSLS	Traffic Service Signal NCTSS	Total NC Retail
1											
2	Customer growth and usage Revenue adjustment - Feb	\$ 9,029	\$ (3,886)	\$ (10,755)	\$ 3,466	\$ (321)	\$ -	\$ 19	\$ 299	\$ (10)	\$ (2,159)
3	Customer growth and usage Revenue adjustment - May	25,674	(7,252)	(32,527)	3,830	(994)	-	(16)	855	(4)	(10,435)
4	May Increase	\$ 16,645	\$ (3,366)	\$ (21,772)	\$ 364	\$ (673)	\$ -	\$ (35)	\$ 557	\$ 6	\$ (8,276)
5	75% of May increase	12,484	(2,525)	(16,329)	273	(505)	-	(26)	417	4	(6,207)
6	Customer growth and usage Revenue adjustment - per settlement	\$ 21,513	\$ (6,410)	\$ (27,084)	\$ 3,739	\$ (826)	\$ -	\$ (7)	\$ 716	\$ (6)	\$ (8,366) [1]
7											
8	Impact to fuel - Feb	\$ 1,346	\$ (1,298)	\$ (3,621)	\$ 1,161	\$ (80)	\$ -	\$ 2	\$ 21	\$ (3)	\$ (2,471)
9	Approved fuel and fuel related costs ¢/kWh (excluding EMF)	2,326	2,499	2,456	2,054	2,456	2,217	2,217	2,217	2,217	[2]
10	Customer growth and usage adjustment to kWh sales	210,975,729	(93,344,303)	(439,354,341)	62,259,064	(9,654,269)	-	(104,146)	2,772,245	(48,762)	(266,498,784) [1]
11	Impact to fuel - May (L9 x (L10 / 100,000))	\$ 4,907	\$ (2,333)	\$ (10,791)	\$ 1,279	\$ (237)	\$ -	\$ (2)	\$ 61	\$ (1)	\$ (7,116)
12	May Increase	3,561	(1,035)	(7,169)	118	(158)	-	(5)	40	2	(4,645)
13	75% of May increase	2,671	(776)	(5,377)	89	(118)	-	(4)	30	1	(3,484)
14	Impact to fuel - per settlement (L8 + L13)	\$ 4,017	\$ (2,074)	\$ (8,998)	\$ 1,249	\$ (198)	\$ -	\$ (1)	\$ 51	\$ (2)	\$ (5,955)
15											
16	Calculation of NCUC Regulatory Fee and Uncollectible										
17	Uncollectible rate	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394	0.002394 [3]
18	Statutory regulatory fee percentage rate	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297	0.001297 [4]
19	Impact to O&M ((L17 + L18) x L6)	\$ 79	\$ (24)	\$ (100)	\$ 14	\$ (3)	\$ -	\$ (0)	\$ 3	\$ (0)	\$ (31)
20											
21	Taxable income (L6 - L14 - L19)	\$ 17,417	\$ (4,313)	\$ (17,986)	\$ 2,476	\$ (625)	\$ -	\$ (6)	\$ 662	\$ (4)	\$ (2,380)
22											
23	Statutory tax rate	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693% [5]
24	Impact to income taxes (L21 x L23)	\$ 4,035	\$ (999)	\$ (4,167)	\$ 574	\$ (145)	\$ -	\$ (1)	\$ 153	\$ (1)	\$ (551)
25											
26	Impact to operating income (L21 - L24)	\$ 13,381	\$ (3,314)	\$ (13,819)	\$ 1,902	\$ (480)	\$ -	\$ (5)	\$ 508	\$ (3)	\$ (1,829)

[1] NC-0402 - Calculation of Customer Growth and Usage Revenue Adjustment
 [2] NC-0202 - NC Billed Fuel Factors (with EMF and EMF Interest Increment/Decrement for approved cost factors), Line 8
 [3] NC-0105 - 2018 Uncollectibles Rate, Line 4
 [4] NC-0103 - NCUC Statutory Regulatory Fee Percentage Rate - Adjusted, Docket No. M-100, Sub 142, Line 3
 [5] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0402a
Second Settlement

Calculation of Customer Growth Adjustment

Line No.	Rate Schedule	NC Retail KWH Adjustment (a)	[1]	Cents Per kWh (b)	[2]	Revenue Adjustment (c) = ((a) x (b) / 100,000)
1	Residential	561,198,538		8.85		\$ 49,654
2	Residential excl. TOU	550,471,121		8.85		48,721
3	Residential TOU	10,727,417		8.70		933
4						
5	Small General Service	39,079,080		10.83		\$ 4,231
6	SGS excl. Constant Load Rate	37,664,616		10.81		4,073
7	SGS Constant Load Rate	1,414,464		11.20		158
8						
9	Medium General and Seasonal and Intermittent Service	105,085,689		7.66		\$ 8,048
10	Medium General Service excl. Time of Use	44,209,854		8.73		3,860
11	Medium General Service Time of Use	58,616,356		6.72		3,941
12	Seasonal and Intermittent Service	2,259,479		10.95		247
13						
14	Large General Service	101,703,976		6.14		\$ 6,247
15	Large General Service excl. Time of Use and Real Time Pricing	30,755,841		6.92		2,129
16	Large General Service Time of Use	42,289,282		6.29		2,662
17	Large General Service Real Time Pricing	28,658,852		5.08		1,456
18						
19	Sports Field Lighting Service	9,130		17.81		2
20	Street Lighting Service	2,772,245		30.84		855
21	Traffic Signal Service	(48,762)		9.15		(4)
22						
23	Total kWh Adjustment (L1 through L21)	<u>809,799,895</u>				
24						
25						
26	<u>NC Residential Change in number of customers</u>	<u># of Customers</u>	[3]	<u>BCC</u>	[4]	
27	Residential	489,051		\$ 14.00		\$ 6,847
28	Residential TOU	9,530		\$ 16.85		\$ 161
29						
30						<u>76,041</u>

[1] NC-0403 - Customer Growth Adjustment to KWH Sales, col (d)

[2] NC-0404 - Present Revenue Annualized and KWH Sales - NC Retail, c/kWh. Residential uses c / kWh excluding BCC.

[3] Source Rate Design Regression Analysis

[4] Basic Customer Charge per Tariffs - Pirro Exhibit 1: RES-60 \$14.00, R-TOU-60 \$16.85, and R-TOUD-60 \$16.85

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Annualize revenues for customer growth
For the test period ended December 31, 2018
(Dollars in thousands)

NC-0402b
Second Settlement

Calculation of Customer Usage Revenue Adjustment

<u>Line No.</u>	<u>Rate Schedule</u>	<u>NC Retail KWH Adjustment</u> (a)	[1]	<u>Cents Per kWh</u> (b)	[2]	<u>Revenue Adjustment</u> (c) = ((a) x (b) / 100,000)
1	Residential	(350,222,809)		8.85		\$ (30,987)
2	Residential excl. TOU	(343,528,233)		8.85		(30,405)
3	Residential TOU	(6,694,576)		8.70		(582)
4						
5	Small General Service	(132,423,383)		8.67		\$ (11,483)
6	SGS excl. Constant Load Rate	(127,630,328)		8.76		(11,177)
7	SGS Constant Load Rate	(4,793,055)		6.39		(306)
8						
9	Medium General and Seasonal and Intermittent Service	(554,094,299)		7.50		\$ (41,570)
10	Medium General Service excl. Time of Use	(233,109,077)		8.53		(19,884)
11	Medium General Service Time of Use	(309,071,473)		6.61		(20,445)
12	Seasonal and Intermittent Service	(11,913,748)		10.42		(1,241)
13						
14	Large General Service	(39,444,912)		6.13		\$ (2,417)
15	Large General Service excl. Time of Use and Real Time Pricir	(11,928,358)		6.90		(823)
16	Large General Service Time of Use	(16,401,493)		6.28		(1,029)
17	Large General Service Real Time Pricing	(11,115,061)		5.08		(564)
18						
19	Sports Field Lighting Service	(113,276)		15.46		(18)
20	Street Lighting Service	-		30.84		-
21	Traffic Signal Service	-		9.15		-
22						
23	Total kWh Adjustment (L1 through L21)	<u>(1,076,298,679)</u>				<u>(86,475)</u>

[1] NC-0403 - Customer Growth Adjustment to KWH Sales, col (d)

[2] NC-0404 - Present Revenue Annualized and KWH Sales - NC Retail, c/kWh. Residential uses ¢ / kWh excluding BCC.

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Annualize revenues for customer growth
 For the test period ended December 31, 2018

NC-0403
 Second Settlement

Customer Growth Adjustment to KWH Sales

Line No.	(a) Rate Schedule	(b) COS Category	(c) NC Proposed Customer Growth kWh Adjustment	(d) NC Proposed Change in Usage kWh Adjustment	(e) NC Proposed KWH Adjustment [1]		(f)		(g)		
							Adj by COS Schedule	Adj by COS Schedule	COS Schedules	Service Bases 12/31/2018 C1ALL Allocator [2]	
1											
2	NC Residential	Residential	561,198,538	(350,222,809)	210,975,729	RES, RET	550,471,121	(343,528,233)	NCRES	NCRES	1,177,050
3							10,727,417	(6,694,576)	NCRET	NCRET	22,938
4	NC General:									NCSGS	160,062
5	General Service Small	Small General Service	39,079,080	(132,423,383)	(93,344,303)	SGS, SGSTCLR	37,664,616	(127,630,328)	NCSGS	NCSGSTCLR	6,011
6	General Service Medium	Medium General Service	105,085,689	(554,094,299)	(449,008,610)	MGS, SGS-TOU,SI	1,414,464	(4,793,055)	NCSGSTCLR	NCSGTM	22,077
7	Total General		144,164,769	(686,517,682)	(542,352,913)		58,616,356	(309,071,473)	NCSGTM	NCMGS	16,651
8							44,209,854	(233,109,077)	NCMGS	NCSI	851
9							2,259,479	(11,913,748)	NCSI	NCLGS	88
10	NC Lighting:									NCLGT	121
11	Street Lighting	Lighting	2,772,245	-	2,772,245	SLS/SLR	2,772,245	-	NCSLS	NCRTP	82
12	Sports Field Lighting	Lighting	9,130	(113,276)	(104,146)	SFLS	9,130	(113,276)	NCSFL	NCTSS	780
13	Traffic Signal Service	Lighting	(48,762)	-	(48,762)	TSS/TFS	(48,762)	-	NCTSS	NCALS	0
14	Total Street Lighting		2,732,613	(113,276)	2,619,336					NCSLS	1,578
15										NCSFL	78
16	NC Industrial:										1,408,367
17	I - Textile	Large General Service	-	-	-		30,755,841	(11,928,358)	NCLGS		
18	I - Nontextile	Large General Service	101,703,976	-	101,703,976	LGS incl. TOU & RTP	42,289,282	(16,401,493)	NCLGT		
19	I - Textile & Nontextile	Large General Service	-	(39,444,912)	(39,444,912)		28,658,852	(11,115,061)	NCRTP		
20	Total Industrial		101,703,976	(39,444,912)	62,259,064						
21											
22							809,799,895	(1,076,298,679)			
23	Total		809,799,895	(1,076,298,679)	(266,498,784)						

Notes:

[1] Information provided by Rate Design.

[2] Regression using number of service bases, and schedules in proposed adjustment per Rate Design

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Annualize revenues for customer growth
 For the test period ended December 31, 2018

NC-0404
 Second Settlement

Present Revenue Annualized and KWH Sales - NC Retail

		NORTH CAROLINA RETAIL						
Line No.	COS Category	Description	Present Revenue Annualized [1]	Basic Customer Charge (BCC)	Present Revenue Excluding BCC	Per Book kWh Sales [2]	All-Inclusive ¢ / kWh	w/o BCC
1								
2	Residential	RES - RESIDENTIAL SERVICE	\$ 1,627,945,892	\$ (197,751,086)	\$ 1,430,194,806	16,158,859,096	10.07	8.85
3		R-TOUD - RESIDENTIAL SERVICE TIME-OF-USE	37,486,504	(4,041,968)	33,444,536	451,040,840		
4		R-TOU - RESIDENTIAL SERVICE ALL-ENERGY TIME-OF-USE	5,576,511	(694,079)	4,882,432	56,146,653	9.93	8.70
5		Residential Sum	\$ 1,671,008,906	\$ (202,487,133)	\$ 1,468,521,774	16,666,046,589		
6	Small General Service	SGS - SMALL GENERAL SERVICE	210,976,543	(40,117,843)	170,858,700	1,950,982,004	10.81	8.76
7		SGS-TOU-CLR - SMALL GENERAL SERVICE TIME-OF-USE CONSTANT LOAD RATE	3,539,804	(1,520,432)	2,019,372	31,614,397	11.20	6.39
8		Small General Service Sum	\$ 214,516,347	\$ (41,638,275)	\$ 172,878,072	1,982,596,401		
9	Medium General Service	APH-TES - AGRICULTURAL POST-HARVEST SERVICE	133,640	(1,281)	132,359	2,065,800		
10		CH-TOUE - CHURCH SERVICE EXPERIMENTAL TIME-OF-USE	1,173,027	(95,984)	1,077,043	8,706,511		
11		CSE - CHURCH AND SCHOOL SERVICE	193,536	(14,938)	178,598	1,373,440		
12		CSG - CHURCH AND SCHOOL SERVICE	4,336	(342)	3,994	25,680		
13		MGS - MEDIUM GENERAL SERVICE	242,144,278	(5,603,638)	236,540,640	2,773,108,650	8.73	8.53
14		SGS-TES - SMALL GENERAL SERVICE THERMAL ENERGY STORAGE	1,345,435	(6,090)	1,339,345	21,819,600		
15		SGS-TOU - SMALL GENERAL SERVICE TIME-OF-USE	562,838,889	(9,050,665)	553,788,224	8,371,865,197	6.72	6.61
16		Medium General Service Sum	\$ 807,833,140	\$ (14,772,938)	\$ 793,060,202	11,178,964,878		
17	Large General Service	LGS - LARGE GENERAL SERVICE	79,000,414	(219,986)	78,780,428	1,141,204,433	6.92	6.90
18		LGS-RTP - LARGE GENERAL SERVICE (EXPERIMENTAL REALTIME PRICING)	-	-	-	9,861,252		
19		LGS-RTP-TOU - LARGE GENERAL SERVICE (EXPERIMENTAL REALTIME PRICING) TOU	290,057,172	(187,226)	289,869,945	5,708,044,202	5.08	5.08
20		LGS-TOU - LARGE GENERAL SERVICE TIME-OF-USE	100,616,525	(282,041)	100,334,484	1,598,681,135	6.29	6.28
21		Large General Service Sum	\$ 469,674,111	\$ (689,254)	\$ 468,984,857	8,457,791,022		
22	Other	ALS - AREA LIGHTING SERVICE	62,316,881	-	62,316,881	267,795,639		
23		SFLS - SPORTS FIELD LIGHTING SERVICE	202,072	(26,622)	175,450	1,134,908	17.81	15.46
24		SLS - STREET LIGHTING SERVICE	26,250,749	-	26,250,749	85,107,971	30.84	
25		TSS - TRAFFIC SIGNAL SERVICE	434,956	-	434,956	4,754,792	9.15	
26		Other Sum	\$ 89,204,659	\$ (26,622)	\$ 89,178,037	358,793,310		
27	Seasonal Intermittent	SI - SEASONAL OR INTERMITTENT SERVICE	4,715,715	(228,386)	4,487,329	43,075,313	10.95	10.42
28		Seasonal Intermittent Sum	\$ 4,715,715	\$ (228,386)	\$ 4,487,329	43,075,313		
29		Grand Total	\$ 3,256,952,878	\$ (259,842,608)	\$ 2,997,110,271	38,687,267,513		

[1] NC-0102 - Column c
 [2] NC-0302 Sum of kWh

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust O&M for executive compensation
For the test period ended December 31, 2018

NC-0700
Narrative
Second Settlement

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro-forma adjusts operation and maintenance expense and income taxes for officers' compensation.

The impact to operation and maintenance expense is determined as follows:

Eliminate 50% of the compensation of the Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Legal Officer (CLO) and Customer and Delivery Operations and President, Carolinas Region allocated to Duke Energy Progress in the test period.

The impact to income taxes is determined by multiplying taxable income by the statutory tax rate.

Settlement

Executive fringe benefits removed as agreed to in Public Staff Settlement

Second Settlement

Updated annual Salaries of Top 5 officers as of May 2020

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Adjust O&M for executive compensation
 For the test period ended December 31, 2018
 (Dollars in thousands)

NC-0700
 Second Settlement

Line No.	Description	Source	NC Retail			
			Second Settlement	Partial Settlement	Application	Change
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power and net interchange		-	-	-	-
10	Wages, benefits, materials, etc.	NC-0701	(2,586)	(2,560)	(2,399)	(187)
11	Depreciation and amortization		-	-	-	-
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-0701	599	593	556	43
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(1,987)	(1,967)	(1,843)	(144)
18						
19	Operating income	L4 - L17	\$ 1,987	\$ 1,967	\$ 1,843	\$ 144
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Adjust O&M for executive compensation
 For the test period ended December 31, 2018
 (Dollars in thousands)

NC-0701
 Settlement

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>CEO and Other</u> <u>Group Execs</u>
1		
2		
3	Compensation charged to Duke Energy Progress - Annual Salary as of May 2020	\$ 7,324 [1]
4	Executive fringe benefits agreed to in PS Settlement	486 [5]
5	Compensation charged to A&G	<u>\$ 7,811 [1]</u>
6		
7		
8	NC Retail Allocation Factor - Wage and Salary Related Items	<u>66.2120% [2]</u>
9	NC retail compensation (L5 x L8)	\$ 5,172
10	Exclusion percentage	<u>50.00% [3]</u>
11	Impact to O&M (-L9 x L10)	<u>\$ (2,586)</u>
12		
13	Statutory tax rate	23.1693% [4]
14		
15	Impact to income taxes (-L11 x L13)	<u>\$ 599</u>
16		
17	Impact to operating income (-L11 - L15)	<u><u>\$ 1,987</u></u>

[1] Information provided by Duke Energy Corporate Accounting. Updated annual salary for 2020.

[2] NC Retail Allocation Factor - LAB

[3] The percentage of compensation for the top five executive's compensation to be eliminated from the test year.

[4] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

[5] Dorgan Stipulation Exhibit 1, Schedule 3-1(i), Line 2

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Amortize deferred environmental costs
For the test period ended December 31, 2018

NC-1100
Second Settlement

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro-forma adjusts amortization expense, income taxes and rate base for the amortization of deferred environmental costs related to the removal of coal ash.

The impact to depreciation expense reflects a 5 year amortization of deferred coal ash costs. The balance of the deferral is projected through August 31, 2020. The estimated cost of removal related to the active and retired fossil plants that has already been collected from customers through depreciation rates is removed from the balance.

The impact to Rate Base includes the additional deferred costs through February of 2020 and additional ADIT on the deferred balance change.

The impact to income taxes is determined by multiplying taxable income by the statutory tax rate.

October update:

Updated Non ARO Spend and ARO spend with actuals through October 2019.

November update:

Updated Non ARO Spend and ARO spend with actuals through November 2019.

December update:

Updated Non ARO Spend and ARO spend with actuals through December 2019.

January update:

Updated actuals through January 2020 on NC 1103 and NC 1105; incorporated ADIT into the plant return calculation on NC 1105; added tab NC 1110 which estimates ADIT related to Non ARO Projects

February update:

Updated actuals through February 2020 on NC 1103, NC 1105, and NC 1110

Second Settlement

Adjust NC-1101 to reflect an 8-year amortization of Non-ARO costs

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Amortize deferred environmental costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1100
Second Settlement

Line No.	Description	Source	Total NC Retail			
			Second Settlement	February	Application	Change
1						
2	Pro Formas Impacting Income Statement Line Items					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power and net interchange		-	-	-	-
10	Wages, benefits, materials, etc.		-	-	-	-
11	Depreciation and amortization	NC-1101	93,023	96,023	105,972	(12,949)
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-1101	(21,553)	(22,248)	(24,553)	3,000
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	71,470	73,775	81,419	(9,949)
18						
19	Operating income	L4 - L17	\$ (71,470)	\$ (73,775)	\$ (81,419)	\$ 9,949
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24	Pro Formas Impacting Rate Base Line Items					
25						
26	Electric plant in service		\$ -	\$ -	\$ -	\$ -
27	Accumulated depreciation and amortization		-	-	-	-
28	Electric plant in service, net	Sum L26 through L27	-	-	-	-
29						
30	Add:					
31	Materials and supplies		-	-	-	-
32	Working capital investment	NC 1801 L26	387,091	384,091	423,886	(36,795)
33	Plant held for future use		-	-	-	-
34						
35	Less:					
36	Accumulated deferred taxes	NC 1801 L28	(89,686)	(88,991)	(98,212)	8,525
37	Operating reserves		-	-	-	-
38	Customer deposits		-	-	-	-
39						
40	Construction work in progress		-	-	-	-
41						
42	Total impact to rate base	Sum L28 through L40	\$ 297,405	\$ 295,100	\$ 325,675	\$ (28,270)
43						
44	Note:					
45	Rate Base: positive number increases rate base / negative number decreases rate base					

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Amortize deferred environmental costs
For the test period ended December 31, 2018
(Dollars in thousands)

NC-1101
Second Settlement

Line No.	Description	Total Coal Ash ARO NC Retail	Total Coal Ash Non ARO NC Retail	Total NC Retail
1				
2	Projected Ending Balance at August 31, 2020	\$ 440,115 [1]	\$ 39,999 [2]	\$ 480,114
3				
4	Balance for Amortization	\$ 440,115	\$ 39,999	\$ 480,114
5				
6	Years to Amortize	5	8	
7				
8	Annual amortization (L4/L6) before penalty	\$ 88,023	\$ 5,000	\$ 93,023
9				
10	Statutory tax rate			23.1693% [3]
11				
12	Impact to income taxes (-L4 x L6)			<u>\$ (21,553)</u>
13				
14	Impact to operating income (-L8 - L12)			<u>\$ (71,470)</u>
15				
16	<u>Impact to Rate Base</u>			
17				
18	Projected August 31 2020 Balance for Rate Base (L2)	\$ 440,115	\$ 39,999	\$ 480,114
19	Less 12 months Coal Ash Deferral Amortization (-L8)	<u>(88,023)</u>	<u>(5,000)</u>	<u>(93,023)</u>
20	Projected coal ash def bal after one year of amortization (L18 + L19)	\$ 352,092	\$ 34,999	\$ 387,091
21				
22	Deferred tax rate	23.1693%	23.1693%	
23	Impact to accumulated deferred income tax (-L20 x L22)	\$ (81,577)	\$ (8,109)	\$ (89,686)
24				
25	Impact to rate base (L20 + L23)	\$ 270,515	\$ 26,890	\$ 297,405

[1] NC-1102 - Deferral Col (s) Line 40

[2] NC-1104 - Deferral Col (r) Line 65

[3] NC-0104 - 2019 Composite Tax rate, Line 10

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Amortize deferred environmental costs
 For the test period ended December 31, 2018

	After Tax LTD Rate	After Tax Equity Rate	
2017	1.3519%	5.4060%	[5]
2018 Jan - Feb	1.6431%	5.4060%	[5]
2018 Mar - Dec	1.4871%	5.1480%	[5]
2019	1.4936%	5.1480%	[5]
2020	1.4936%	5.1480%	[5]

Line No.		ENERGY				Duke Energy Progress Coal Ash Deferral (North Carolina)												
		(a)	(b)	(c)	(d)	(e)	(f)=(a)x(d)	(g)	(h)	(i)	(j)=(e)+(f)+(g)+(h))/2	(k)	(l)	(m)=(k)+(l)	(n)=(i)+(m)			
		System Spend	Active Plant COR Offset	Retired Coal Ash Plant COR Offset	% to NC	Beginning Balance	NC Spend	Active Plant COR Offset	Retired Coal Ash Plant COR Offset	Ending Balance	Balance for Return	Compounded annually		Total Return	Total Ending Balance			
		[1]	[2]	[2]	[3]			[2]	[2]			Deferred Cost of Debt	Deferred Cost of Equity					
1	Aug-17																	
2	Sep	\$ 14,127,429	\$ (284,727)	\$ (773,130)	60.8102%	\$ -	\$ 8,590,913	\$ (203,721)	\$ (642,392)	\$ 7,744,801	\$ 3,872,400	\$ 4,363	\$ 17,445	\$ 21,808	\$ 7,766,608			
3	Oct	13,925,270	(284,727)	(773,130)	60.8102%	7,744,801	8,467,979	(203,721)	(642,392)	15,366,668	11,555,734	13,018	52,059	65,077	15,453,553			
4	Nov	10,319,552	(284,727)	(773,130)	60.8102%	15,366,668	6,275,336	(203,721)	(642,392)	20,795,892	18,081,280	20,370	81,456	101,826	20,984,603			
5	Dec	16,303,059	(284,727)	(773,130)	60.8102%	20,795,892	9,913,917	(203,721)	(642,392)	29,863,696	25,329,794	28,536	114,111	142,647	30,195,054 [4]			
6	Jan-18	11,674,153	(284,727)	(773,130)	60.8102%	30,195,054 [4]	7,099,072	(203,721)	(642,392)	36,448,013	33,321,534	45,625	150,114	195,738	36,975,109			
7	Feb	14,436,895	(284,727)	(773,130)	60.8102%	36,448,013	8,779,099	(203,721)	(642,392)	44,381,000	40,414,507	55,336	182,067	237,404	44,618,404			
8	Mar	16,034,812	(142,363)	(386,565)	60.8102%	44,381,000	9,750,795	(101,860)	(321,196)	53,708,740	49,044,870	60,778	210,402	271,181	54,217,324			
9	Apr	12,730,875			60.8452%	53,708,740	7,746,122			61,454,862	57,581,801	71,358	247,026	318,384	62,281,830			
10	May	16,344,206			60.8452%	61,454,862	9,944,659			71,399,521	66,427,191	82,319	284,973	367,292	72,593,781			
11	Jun	13,183,340			60.8452%	71,399,521	8,021,425			79,420,946	75,410,233	93,451	323,510	416,961	81,032,168			
12	Jul	9,840,879			60.8452%	79,420,946	5,987,699			85,408,645	82,414,796	102,132	353,559	455,691	87,475,558			
13	Aug	18,186,966			60.8452%	85,408,645	11,065,890			96,474,535	90,941,590	112,699	390,139	502,838	99,044,286			
14	Sep	14,296,119			60.8452%	96,474,535	8,698,497			105,173,032	100,823,784	124,945	432,534	557,479	108,300,262			
15	Oct	17,794,608			60.8452%	105,173,032	10,827,159			116,000,191	110,586,612	137,044	474,417	611,460	119,738,881			
16	Nov	16,803,192			60.8452%	116,000,191	10,223,930			126,224,122	121,112,156	150,087	519,571	669,658	130,632,470			
17	Dec	25,439,917			60.8452%	126,224,122	15,478,960			141,703,082	133,963,602	166,013	574,704	740,717	147,047,885 [4]			
18	Jan-19	20,083,956			60.8452%	147,047,885 [4]	12,220,117			159,268,002	153,157,944	190,629	657,048	847,677	160,115,679			
19	Feb	22,836,296			60.8452%	159,268,002	13,894,782			173,162,784	166,215,393	206,881	713,064	919,945	174,930,406			
20	Mar	24,329,058			60.8452%	173,162,784	14,803,056			187,965,840	180,564,312	224,741	774,621	999,362	190,732,824			
21	Apr	31,140,483			60.8452%	187,965,840	18,947,479			206,913,319	197,439,580	245,745	847,016	1,092,760	210,773,063			
22	May	38,852,313			60.8452%	206,913,319	23,639,754			230,553,073	218,733,196	272,248	938,365	1,210,613	235,623,431			
23	Jun	21,872,397			61.1093%	230,553,073	13,366,073			243,919,146	237,236,110	295,278	1,017,743	1,313,021	250,302,524			
24	Jul	14,696,303			61.1093%	243,919,146	8,980,811			252,899,957	248,409,552	309,185	1,065,677	1,374,862	260,658,197			
25	Aug	72,417,961			61.1093%	252,899,957	44,254,124			297,154,081	275,027,019	342,314	1,179,866	1,522,180	306,434,501			
26	Sep	36,936,002			61.1093%	297,154,081	22,571,340			319,725,421	308,439,751	383,902	1,323,207	1,707,108	330,712,949			
27	Oct	32,420,839			61.1093%	319,725,421	19,812,154			339,537,575	329,631,498	410,278	1,414,119	1,824,397	352,349,501			
28	Nov	32,053,016			61.1093%	339,537,575	19,587,380			359,124,955	349,331,265	434,798	1,498,631	1,933,429	373,870,310			
29	Dec	34,963,720			61.1093%	359,124,955	21,366,091			380,491,047	369,808,001	460,284	1,586,476	2,046,761	397,283,162 [4]			
30	Jan-20	13,780,946			61.1093%	397,283,162 [4]	8,421,442			405,704,604	401,493,883	499,722	1,722,409	2,222,131	407,926,735			
31	Feb	26,016,157			61.1093%	405,704,604	15,898,297			421,602,901	413,653,753	514,857	1,774,575	2,289,432	426,114,464			
32	Mar					421,602,901	-			421,602,901	421,602,901	524,751	1,808,676	2,333,428	428,447,892			
33	Apr					421,602,901	-			421,602,901	421,602,901	524,751	1,808,676	2,333,428	430,781,319			
34	May					421,602,901	-			421,602,901	421,602,901	524,751	1,808,676	2,333,428	433,114,747			
35	Jun					421,602,901	-			421,602,901	421,602,901	524,751	1,808,676	2,333,428	435,448,174			
36	Jul					421,602,901	-			421,602,901	421,602,901	524,751	1,808,676	2,333,428	437,781,602			
37	Aug					421,602,901	-			421,602,901	421,602,901	524,751	1,808,676	2,333,428	440,115,029			
38																		
39																		
40																		
						\$ 404,634,354	\$ (1,324,184)	\$ (4,175,545)							\$ 9,207,443	\$ 31,772,962	\$ 40,980,404	\$ 440,115,029

[1] NC-1103 - Duke Energy Progress - System Spend - Coal Ash
 [2] NC 1109 Active and Retired Estimated Cost of Removal / 12
 [3] NC-1106 - Allocation Factor - MWHs at Generation Level. Allocation Factors updated when new Cost of Service Factors were available.
 [4] Annual compounding formula
 [5] NC-1107 - Weighted Cost of Capital Rates for Duke Energy Progress

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Duke Energy Progress - System Spend - Coal Ash including CAMA - ARO

Line No.	Month	2017 <u>Actuals</u>	2018 <u>Actuals</u>	2019 <u>Actuals</u>	2020 <u>Actual</u>
1	January	\$ -	\$ 11,674,153	\$ 20,083,956	\$13,780,946
2	February	-	14,436,895	22,836,296	\$26,016,157
3	March	-	16,034,812	24,329,058	
4	April	-	12,730,875	31,140,483	
5	May	-	16,344,206	38,852,313	
6	June	-	13,183,340	21,872,397	
7	July	-	9,840,879	14,696,303	
8	August	-	18,186,966	72,417,961	
9	September	14,127,429	14,296,119	36,936,002	
10	October	13,925,270	17,794,608	32,420,839	
11	November	10,319,552	16,803,192	32,053,016	
12	December	16,303,059	25,439,917	34,963,720	
13		<u>\$ 54,675,310</u>	<u>\$ 186,765,961</u>	<u>\$ 382,602,342</u>	<u>\$ 39,797,103</u>

Source: Duke Energy Asset Accounting

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	Pre Tax LTD Rate	Pre Tax Equity Rate
Jan - Feb 2018 [5]	2.1479%	7.0670%
Mar - Dec 2018 [5]	1.9440%	6.7297%
2019 [5]	1.9440%	6.7004%
2020 [5]	1.9440%	6.7004%

Duke Energy Progress - Coal Ash Non ARO Retail Return on Plant

Line No.	Month	[1] Total Plant Additions	[2] Accumulated Depreciation	[7] Accumulated Deferred Inc Tax	Net Plant (d)=(a)+(b)+(c)	[3] NC Retail Allocation Factor	NC Retail Net Plant (f)	[4] Balance for Return (g)	Pre Tax Debt Return (h)	Pre Tax Equity Return (i)	Total Return on Investment (j)=(h)+(i)
1	Jan-18	\$ 37,047	\$ -	(\$3,698)	\$ 33,349	60.6008%	\$ 20,209	\$ 10,105	\$ 18	\$ 60	\$ 78
2	Feb	40,325	(89)	(\$3,698)	36,539	60.6008%	22,143	21,176	38	125	163
3	Mar	40,473	(206)	(\$3,698)	36,569	60.6008%	22,161	22,152	36	124	160
4	Apr	48,443	(350)	(\$3,698)	44,394	61.3372%	27,230	24,696	40	138	179
5	May	5,965,821	(505)	(\$689,196)	5,276,120	61.3372%	3,236,226	1,631,728	2,643	9,151	11,794
6	Jun	6,050,763	(33,007)	(\$699,027)	5,318,728	61.3372%	3,262,361	3,249,293	5,264	18,222	23,486
7	Jul	6,104,056	(65,974)	(\$704,636)	5,333,446	61.3372%	3,271,388	3,266,874	5,292	18,321	23,613
8	Aug	6,204,246	(99,211)	(\$716,233)	5,388,801	61.3372%	3,305,341	3,288,365	5,327	18,442	23,769
9	Sep	6,275,122	(132,996)	(\$724,433)	5,417,692	61.3372%	3,323,063	3,314,202	5,369	18,586	23,955
10	Oct	6,302,691	(167,168)	(\$727,618)	5,407,905	61.3372%	3,317,059	3,320,061	5,378	18,619	23,998
11	Nov	15,144,212	(201,490)	(\$730,836)	14,211,886	61.3372%	8,717,177	6,017,118	9,748	33,745	43,492
12	Dec	128,515,712	(270,683)	(\$13,465,465)	114,779,564	61.3372%	70,402,607	39,559,892	64,087	221,856	285,943
13	Jan-19	163,503,908	(579,612)	(\$13,523,554)	149,400,742	61.3372%	91,638,279	81,020,443	131,253	452,394	583,647
14	Feb	166,667,791	(1,034,819)	(\$13,705,504)	151,927,469	61.3372%	93,188,103	92,413,191	149,709	516,008	665,717
15	Mar	210,748,372	(1,499,116)	(\$13,857,568)	195,391,688	61.3372%	119,847,852	106,517,978	172,559	594,765	767,324
16	Apr	347,439,735	(2,062,387)	(\$26,461,331)	318,916,018	61.3372%	195,614,257	157,731,054	255,524	880,724	1,136,248
17	May	374,337,308	(2,869,578)	(\$28,891,668)	342,576,062	61.3372%	210,126,673	202,870,465	328,650	1,132,769	1,461,419
18	Jun	377,036,268	(3,721,086)	(\$29,098,256)	344,216,926	61.5278%	211,789,097	210,957,885	341,752	1,177,927	1,519,678
19	Jul	380,296,416	(4,578,497)	(\$29,391,796)	346,326,123	61.5278%	213,086,839	212,437,968	344,150	1,186,191	1,530,341
20	Aug	382,363,991	(5,443,126)	(\$29,566,025)	347,354,840	61.5278%	213,719,786	213,403,313	345,713	1,191,581	1,537,295
21	Sep	383,622,726	(6,311,149)	(\$29,673,119)	347,638,457	61.5278%	213,894,290	213,807,038	346,367	1,193,836	1,540,203
22	Oct	386,294,290	(7,182,640)	(\$29,913,455)	349,198,196	61.5278%	214,853,963	214,374,126	347,286	1,197,002	1,544,288
23	Nov	387,918,438	(8,060,320)	(\$30,058,214)	349,799,904	61.5278%	215,224,181	215,039,072	348,363	1,200,715	1,549,078
24	Dec	387,766,356	(8,941,086)	(\$30,046,822)	348,778,448	61.5278%	214,595,701	214,909,941	348,154	1,199,994	1,548,148
25	Jan-20	388,617,441	(9,823,223)	(\$30,124,559)	348,669,658	61.5278%	214,528,765	214,562,233	347,591	1,198,052	1,545,643
26	Feb	389,390,259	(10,706,871)	(\$30,190,573)	348,492,816	61.5278%	214,419,958	214,474,362	347,448	1,197,562	1,545,010
27	Mar	389,390,259	(11,591,887)	(\$30,190,573)	347,607,799	61.5278%	213,875,427	214,147,692	346,919	1,195,738	1,542,657
28	Apr	389,390,259	(12,476,903)	(\$30,190,573)	346,722,783	61.5278%	213,330,896	213,603,161	346,037	1,192,697	1,538,734
29	May	389,390,259	(13,361,919)	(\$30,190,573)	345,837,767	61.5278%	212,786,365	213,058,630	345,155	1,189,657	1,534,812
30	Jun	389,390,259	(14,246,936)	(\$30,190,573)	344,952,751	61.5278%	212,241,834	212,514,100	344,273	1,186,616	1,530,889
31	Jul	389,390,259	(15,131,952)	(\$30,190,573)	344,067,735	61.5278%	211,697,303	211,969,569	343,391	1,183,576	1,526,966
32	Aug	389,390,259	(16,016,968)	(\$30,190,573)	343,182,719	61.5278%	211,152,772	211,425,038	342,509	1,180,535	1,523,044
											<u>\$ 28,131,772</u>

- [1] NC-1105 Total Plant in Service beginning on line 61
- [2] NC-1105 Total Depreciation Expense beginning on line 95 + Prior Month
- [3] NC 1106 Allocation Factor - Demand at Generation Level. Allocation Factors updated when new Cost of Service Factors were available.
- [4] Beginning balance + additions for the month/2
- [5] NC 1107 Cost of Capital
- [6] NC-1105 Total Depreciation Expense beginning on line 99
- [7] NC 1110 Accumulated Deferred Income Tax

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Line No.	Month	Beginning Balance (j)=PM(r)	Return on Investment (k)=(i)	[6] Depreciation Expense (l)	[3] NC Retail Allocation Factor (m)	NC Retail Depreciation Expense (n)=(l)*(m)	Balance for Return (o)=(j)+((k(n))/2	After Tax	After Tax	Ending Balance (r)	
								LTD Rate	Equity Rate		
								Jan - Feb 2018 [5]	1.6431%	5.4060%	
								Mar - Dec 2018 [5]	1.4871%	5.1480%	
								2019 [5]	1.4936%	5.1480%	
								2020 [5]	1.4936%	5.1480%	
33	Jan-18	\$ -	\$ 78	\$ 0	60.601%	\$ 39	\$ 39	\$ 0	\$ 0	\$ 78	
34	Feb	78	163	89	60.601%	54	186	0	1	295	
35	Mar	295	160	117	60.601%	71	411	1	2	529	
36	Apr	529	179	145	61.337%	89	662	1	3	800	
37	May	800	11,794	155	61.337%	95	6,744	8	29	12,726	
38	Jun	12,726	23,486	32,503	61.337%	19,936	34,437	43	148	56,339	
39	Jul	56,339	23,613	32,967	61.337%	20,221	78,256	97	336	100,605	
40	Aug	100,605	23,769	33,237	61.337%	20,387	122,683	152	526	145,439	
41	Sep	145,439	23,955	33,785	61.337%	20,723	167,778	208	720	191,045	
42	Oct	191,045	23,998	34,172	61.337%	20,960	213,524	265	916	237,183	
43	Nov	237,183	43,492	34,322	61.337%	21,052	269,456	334	1,156	303,218	
44	Dec	303,218	285,943	69,193	61.337%	42,441	467,410	579	2,005	634,187	
45	Jan-19	634,187	583,647	308,929	61.337%	189,488	1,020,755	1,270	4,379	1,412,972	
46	Feb	1,412,972	665,717	455,207	61.337%	279,211	1,885,436	2,347	8,089	2,368,336	
47	Mar	2,368,336	767,324	464,297	61.337%	284,787	2,894,392	3,603	12,417	3,436,467	
48	Apr	3,436,467	1,136,248	563,270	61.337%	345,494	4,177,338	5,199	17,921	4,941,329	
49	May	4,941,329	1,461,419	807,192	61.337%	495,109	5,919,593	7,368	25,395	6,930,620	
50	Jun	6,930,620	1,519,678	851,507	61.528%	523,914	7,952,417	9,898	34,116	9,018,227	
51	Jul	9,018,227	1,530,341	857,412	61.528%	527,547	10,047,170	12,505	43,102	11,131,721	
52	Aug	11,131,721	1,537,295	864,629	61.528%	531,987	12,166,362	15,143	52,194	13,268,339	
53	Sep	13,268,339	1,540,203	868,023	61.528%	534,076	14,305,479	17,805	61,371	15,421,794	
54	Oct	15,421,794	1,544,288	871,491	61.528%	536,209	16,462,043	20,490	70,622	17,593,403	
55	Nov	17,593,403	1,549,078	877,680	61.528%	540,017	18,637,951	23,198	79,957	19,785,653	
56	Dec	19,785,653	1,548,148	880,766	61.528%	541,916	20,830,685	25,927	89,364	21,991,007	
57	Jan-20	21,991,007	1,545,643	882,138	61.528%	542,760	23,035,209	28,671	98,821	24,206,902	
58	Feb	24,206,902	1,545,010	883,648	61.528%	543,689	25,251,252	31,429	108,328	26,435,359	
59	Mar	26,435,359	1,542,657	885,016	61.528%	544,531	27,478,952	34,202	117,885	28,674,633	
60	Apr	28,674,633	1,538,734	885,016	61.528%	544,531	29,716,266	36,987	127,483	30,922,368	
61	May	30,922,368	1,534,812	885,016	61.528%	544,531	31,962,039	39,782	137,117	33,178,609	
62	Jun	33,178,609	1,530,889	885,016	61.528%	544,531	34,216,319	42,588	146,788	35,443,405	
63	Jul	35,443,405	1,526,966	885,016	61.528%	544,531	36,479,153	45,404	156,496	37,716,801	
64	Aug	37,716,801	1,523,044	885,016	61.528%	544,531	38,750,589	48,231	166,240	39,998,847	
65			\$ 28,131,772			\$ 9,849,418		\$ 453,734	\$ 1,563,924	\$ 39,998,847	

[1] NC-1105 Total Plant in Service beginning on line 61
 [2] NC-1105 Total Depreciation Expense beginning on line 95 + Prior Month
 [3] NC 1106 Allocation Factor - Demand at Generation Level. Allocation Factors updated when new Cost of Service Factors were available.
 [4] Beginning balance + additions for the month/2
 [5] NC 1107 Cost of Capital
 [6] NC-1105 Total Depreciation Expense beginning on line 99

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Duke Energy Progress - Coal Ash Non ARO - Monthly Plant in Service

Line No.	Month	D FOS 315 ROXBORO #4-50121	D FOS 312 ROXBORO #4-50121	D FOS 311 ROXBORO COMMON-50121	D FOS 312 ROXBORO #1-50121	D FOS 312 ROXBORO #3-50121	D FOS 315 ROXBORO #3-50121	D FOS 312 ROXBORO COMMON-50121	D TRN 353-BU-Transmission 50126	D FOS 311 MAYO #1-50121	D FOS 312 MAYO #1-50121	D FOS 312 ROXBORO #2-50121	Total Monthly Activity
1	Jan-18	\$ 600	\$ 5,287	\$ 33,172									\$ 39,059
2	Feb-18	384	3,382										3,766
3	Mar-18	17	152										170
4	Apr-18	933	8,221										9,154
5	May-18	10	86		5,917,295								5,917,390
6	Jun-18	9	83		84,862								84,954
7	Jul-18	571	5,025		48,422								54,017
8	Aug-18	10	86	-	100,106								100,202
9	Sep-18	11	95		70,785								70,890
10	Oct-18	9	82		27,489								27,581
11	Nov-18	(46)	(404)		27,783	7,928,211	885,919						8,841,463
12	Dec-18	63	558	22,853,630	120,532	636,916	71,171	91,254,452	2,736,133				117,673,455
13	Jan-19			35,703,462	14,906	460,572	51,466	96,214	11,224				36,337,843
14	Feb-19			697,284	6,623	875,255	97,803	1,566,335	5,922				3,249,222
15	Mar-19			11,194,568	(108)	(106,205)	(11,868)	1,037,832	19,112	38,659,682			50,793,013
16	Apr-19			942,879		54,876		126,675,492	4,552	306,135	16,184,956	296	144,169,186
17	May-19			350,999		(138,986)		4,047,193	13,597	27,052,817	133,850		31,459,469
18	Jun-19			557,054		21,523		1,672,839	18,087	510,840	101,737		2,882,081
19	Jul-19			562,297		6,167		1,867,243	10,931	681,119	398,571		3,526,327
20	Aug-19			25,456				1,740,230	20,178	395,569	19,888		2,201,320
21	Sep-19			484,528				149,095	63	615,087	159,023		1,407,796
22	Oct-19			512,918				1,239,986	20,479	720,487	429,776		2,923,647
23	Nov-19	(2,572)	2,572	171,688		1,094,491	(1,094,491)	857,166	1,414	799,426	(44,723)		1,784,971
24	Dec-19			513,827				(\$223,420)	142	(751,628)	236,679		(224,401)
25	Jan-20			55,985				757,550		72,285	9,094		894,914
26	Feb-20			55,077				730,694		19,887			805,658
27	Total	\$ -	\$ 25,226	\$ 74,714,824	\$ 6,418,692	\$ 10,832,819	\$ -	\$ 233,468,900	\$ 2,861,832	\$ 69,081,706	\$ 17,628,852	\$ 296	\$ 415,033,147

Source: Duke Energy Asset Accounting

Smith Second Settlement Exhibit 1

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Duke Energy Progress - Coal Ash Non ARO - Total Plant in Service

Line No.	Month	D FOS 315 ROXBORO #4-50121	D FOS 312 ROXBORO #4-50121	D FOS 311 ROXBORO COMMON-50121	D FOS 312 ROXBORO #1-50121	D FOS 312 ROXBORO #3-50121	D FOS 315 ROXBORO #3-50121	D FOS 312 ROXBORO COMMON-50121	D TRN 353-BU-Transmission 50126	D FOS 311 MAYO #1-50121	D FOS 312 MAYO #1-50121	D FOS 312 ROXBORO #2-50121	Total Balance Activity
28	Jan-18	\$ 600	\$ 5,287	\$ 33,172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,059
29	Feb-18	984	8,669	33,172	-	-	-	-	-	-	-	-	42,825
30	Mar-18	1,002	8,821	33,172	-	-	-	-	-	-	-	-	42,995
31	Apr-18	1,935	17,042	33,172	-	-	-	-	-	-	-	-	52,149
32	May-18	1,945	17,128	33,172	5,917,295	-	-	-	-	-	-	-	5,969,539
33	Jun-18	1,954	17,211	33,172	6,002,156	-	-	-	-	-	-	-	6,054,493
34	Jul-18	2,525	22,236	33,172	6,050,579	-	-	-	-	-	-	-	6,108,511
35	Aug-18	2,534	22,322	33,172	6,150,685	-	-	-	-	-	-	-	6,208,713
36	Sep-18	2,545	22,417	33,172	6,221,469	-	-	-	-	-	-	-	6,279,603
37	Oct-18	2,555	22,499	33,172	6,248,958	-	-	-	-	-	-	-	6,307,183
38	Nov-18	2,509	22,095	33,172	6,276,741	7,928,211	885,919	-	-	-	-	-	15,148,647
39	Dec-18	2,572	22,654	22,886,802	6,397,273	8,565,127	957,090	91,254,452	2,736,133	8,565,127	-	-	132,822,102
40	Jan-19	2,572	22,654	58,590,264	6,412,178	9,025,699	1,008,555	91,350,665	2,747,357	-	-	-	169,159,945
41	Feb-19	2,572	22,654	59,287,548	6,418,801	9,900,953	1,106,359	92,917,001	2,753,279	-	-	-	172,409,167
42	Mar-19	2,572	22,654	70,482,116	6,418,692	9,794,749	1,094,491	93,954,833	2,772,391	38,659,682	-	-	223,202,180
43	Apr-19	2,572	22,654	71,424,995	6,418,692	9,849,624	1,094,491	220,630,324	2,776,943	38,965,817	16,184,956	296	367,371,365
44	May-19	2,572	22,654	71,775,993	6,418,692	9,710,638	1,094,491	224,677,517	2,790,540	66,018,634	16,318,806	296	398,830,834
45	Jun-19	2,572	22,654	72,333,048	6,418,692	9,732,161	1,094,491	226,350,356	2,808,626	66,529,474	16,420,543	296	401,712,915
46	Jul-19	2,572	22,654	72,895,345	6,418,692	9,738,328	1,094,491	228,217,599	2,819,557	67,210,593	16,819,115	296	405,239,242
47	Aug-19	2,572	22,654	72,920,801	6,418,692	9,738,328	1,094,491	229,957,829	2,839,735	67,606,162	16,839,003	296	407,440,563
48	Sep-19	2,572	22,654	73,405,328	6,418,692	9,738,328	1,094,491	230,106,924	2,839,798	68,221,249	16,998,026	296	408,848,359
49	Oct-19	2,572	22,654	73,918,247	6,418,692	9,738,328	1,094,491	231,346,910	2,860,277	68,941,736	17,427,802	296	411,772,005
50	Nov-19	-	25,226	74,089,934	6,418,692	10,832,819	-	232,204,076	2,861,691	69,741,162	17,383,079	296	413,556,976
51	Dec-19	-	25,226	74,603,762	6,418,692	10,832,819	-	231,980,656	2,861,832	68,989,534	17,619,758	296	413,332,575
52	Jan-20	-	25,226	74,659,747	6,418,692	10,832,819	-	232,738,206	2,861,832	69,061,819	17,628,852	296	414,227,489
53	Feb-20	-	25,226	74,714,824	6,418,692	10,832,819	-	233,468,900	2,861,832	69,081,706	17,628,852	296	415,033,147
54	Mar-20	-	25,226	74,714,824	6,418,692	10,832,819	-	233,468,900	2,861,832	69,081,706	17,628,852	296	415,033,147
55	Apr-20	-	25,226	74,714,824	6,418,692	10,832,819	-	233,468,900	2,861,832	69,081,706	17,628,852	296	415,033,147
56	May-20	-	25,226	74,714,824	6,418,692	10,832,819	-	233,468,900	2,861,832	69,081,706	17,628,852	296	415,033,147
57	Jun-20	-	25,226	74,714,824	6,418,692	10,832,819	-	233,468,900	2,861,832	69,081,706	17,628,852	296	415,033,147
58	Jul-20	-	25,226	74,714,824	6,418,692	10,832,819	-	233,468,900	2,861,832	69,081,706	17,628,852	296	415,033,147
59	Aug-20	-	25,226	74,714,824	6,418,692	10,832,819	-	233,468,900	2,861,832	69,081,706	17,628,852	296	\$ 415,033,147

Source: Duke Energy Asset Accounting

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Duke Energy Progress - Coal Ash Non ARO - Total Plant - Net of JAAR Impact

Line No.	Month	D FOS 315 ROXBORO #4-50121	D FOS 312 ROXBORO #4-50121	D FOS 311 ROXBORO COMMON-50121	D FOS 312 ROXBORO #1-50121	D FOS 312 ROXBORO #3-50121	D FOS 315 ROXBORO #3-50121	D FOS 312 ROXBORO COMMON-50121	D TRN 353-BU-Transmission 50126	D FOS 311 MAYO #1-50121	D FOS 312 MAYO #1-50121	D FOS 312 ROXBORO #2-50121	Total Balance Activity
60	JAAR Allocation %	12.94%	12.94%	3.77%			3.77%			16.17%	16.17%		
61	Jan-18	\$ 523	\$ 4,603	\$ 31,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,047
62	Feb-18	857	7,547	31,921	-	-	-	-	-	-	-	-	40,325
63	Mar-18	872	7,680	31,921	-	-	-	-	-	-	-	-	40,473
64	Apr-18	1,685	14,837	31,921	-	-	-	-	-	-	-	-	48,443
65	May-18	1,693	14,912	31,921	5,917,295	-	-	-	-	-	-	-	5,965,821
66	Jun-18	1,701	14,984	31,921	6,002,156	-	-	-	-	-	-	-	6,050,763
67	Jul-18	2,198	19,359	31,921	6,050,579	-	-	-	-	-	-	-	6,104,056
68	Aug-18	2,206	19,434	31,921	6,150,685	-	-	-	-	-	-	-	6,204,246
69	Sep-18	2,216	19,516	31,921	6,221,469	-	-	-	-	-	-	-	6,275,122
70	Oct-18	2,224	19,588	31,921	6,248,958	-	-	-	-	-	-	-	6,302,691
71	Nov-18	2,184	19,236	31,921	6,276,741	7,928,211	885,919	-	-	-	-	-	15,144,212
72	Dec-18	2,239	19,723	22,023,970	6,397,273	8,565,127	957,090	87,814,159	2,736,133	-	-	-	128,515,712
73	Jan-19	2,239	19,723	56,381,411	6,412,178	9,025,699	1,008,555	87,906,745	2,747,357	-	-	-	163,503,908
74	Feb-19	2,239	19,723	57,052,408	6,418,801	9,900,953	1,106,359	89,414,030	2,753,279	-	-	-	166,667,791
75	Mar-19	2,239	19,723	67,824,940	6,418,692	9,794,749	1,094,491	90,412,735	2,772,391	32,408,411	-	-	210,748,372
76	Apr-19	2,239	19,723	68,732,273	6,418,692	9,849,624	1,094,491	212,312,561	2,776,943	32,665,044	13,567,849	296	347,439,735
77	May-19	2,239	19,723	69,070,039	6,418,692	9,710,638	1,094,491	216,207,175	2,790,540	55,343,421	13,680,055	296	374,337,308
78	Jun-19	2,239	19,723	69,606,092	6,418,692	9,732,161	1,094,491	217,816,948	2,808,626	55,771,658	13,765,342	296	377,036,268
79	Jul-19	2,239	19,723	70,147,190	6,418,692	9,738,328	1,094,491	219,613,796	2,819,557	56,342,640	14,099,464	296	380,296,416
80	Aug-19	2,239	19,723	70,171,686	6,418,692	9,738,328	1,094,491	221,288,419	2,839,735	56,674,245	14,116,136	296	382,363,991
81	Sep-19	2,239	19,723	70,637,947	6,418,692	9,738,328	1,094,491	221,431,893	2,839,798	57,189,873	14,249,445	296	383,622,726
82	Oct-19	2,239	19,723	71,131,529	6,418,692	9,738,328	1,094,491	222,625,131	2,860,277	57,793,858	14,609,726	296	386,294,290
83	Nov-19	-	21,962	71,296,744	6,418,692	10,832,819	-	223,449,982	2,861,691	58,464,016	14,572,235	296	387,918,438
84	Dec-19	-	21,962	71,791,200	6,418,692	10,832,819	-	223,234,985	2,861,832	57,833,926	14,770,643	296	387,766,356
85	Jan-20	-	21,962	71,845,074	6,418,692	10,832,819	-	223,963,975	2,861,832	57,894,523	14,778,266	296	388,617,441
86	Feb-20	-	21,962	71,898,075	6,418,692	10,832,819	-	224,667,122	2,861,832	57,911,194	14,778,266	296	389,390,259
87	Mar-20	-	21,962	71,898,075	6,418,692	10,832,819	-	224,667,122	2,861,832	57,911,194	14,778,266	296	389,390,259
88	Apr-20	-	21,962	71,898,075	6,418,692	10,832,819	-	224,667,122	2,861,832	57,911,194	14,778,266	296	389,390,259
89	May-20	-	21,962	71,898,075	6,418,692	10,832,819	-	224,667,122	2,861,832	57,911,194	14,778,266	296	389,390,259
90	Jun-20	-	21,962	71,898,075	6,418,692	10,832,819	-	224,667,122	2,861,832	57,911,194	14,778,266	296	389,390,259
91	Jul-20	-	21,962	71,898,075	6,418,692	10,832,819	-	224,667,122	2,861,832	57,911,194	14,778,266	296	389,390,259
92	Aug-20	-	21,962	71,898,075	6,418,692	10,832,819	-	224,667,122	2,861,832	57,911,194	14,778,266	296	\$ 389,390,259

Source: Duke Energy Asset Accounting

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Duke Energy Progress - Coal Ash Non ARO - System Depreciation Expense (Net of JAAR)

		D FOS 315 ROXBORO #4- 50121	D FOS 312 ROXBORO #4- 50121	D FOS 311 ROXBORO COMMON-50121	D FOS 312 ROXBORO #1- 50121	D FOS 312 ROXBORO #3- 50121	D FOS 315 ROXBORO #3- 50121	D FOS 312 ROXBORO COMMON-50121	D TRN 353-BU- Transmission 50126	D FOS 311 MAYO #1-50121	D FOS 312 MAYO #1-50121	D FOS 312 ROXBORO #2- 50121	Total Balance Activity
93	Depr Rate Prior To 3/16/2018	0.45%	0.45%	3.26%									
94	Depr Rate Beg. 3/16/2018	3.05%	1.33%	5.03%	6.56%	4.74%	4.61%	1.91%	1.90%	1.95%	4.02%	5.04%	
95	Jan-18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96	Feb-18	0	2	87	-	-	-	-	-	-	-	-	89
97	Mar-18	1	6	110	-	-	-	-	-	-	-	-	117
98	Apr-18	2	9	134	-	-	-	-	-	-	-	-	145
99	May-18	4	16	134	-	-	-	-	-	-	-	-	155
100	Jun-18	4	17	134	32,348	-	-	-	-	-	-	-	32,503
101	Jul-18	4	17	134	32,812	-	-	-	-	-	-	-	32,967
102	Aug-18	6	21	134	33,076	-	-	-	-	-	-	-	33,237
103	Sep-18	6	22	134	33,624	-	-	-	-	-	-	-	33,785
104	Oct-18	6	22	134	34,011	-	-	-	-	-	-	-	34,172
105	Nov-18	6	22	134	34,161	-	-	-	-	-	-	-	34,322
106	Dec-18	6	21	134	34,313	31,316	3,403	-	-	-	-	-	69,193
107	Jan-19	6	22	92,317	34,972	33,832	3,677	139,771	4,332	-	-	-	308,929
108	Feb-19	6	22	236,332	35,053	35,652	3,875	139,918	4,350	-	-	-	455,207
109	Mar-19	6	22	239,145	35,089	39,109	4,250	142,317	4,359	-	-	-	464,297
110	Apr-19	6	22	284,300	35,089	38,689	4,205	143,907	4,390	52,664	-	-	563,270
111	May-19	6	22	288,103	35,089	38,906	4,205	337,931	4,397	53,081	45,452	1	807,192
112	Jun-19	6	22	289,519	35,089	38,357	4,205	344,130	4,418	89,933	45,828	1	851,507
113	Jul-19	6	22	291,766	35,089	38,442	4,205	346,692	4,447	90,629	46,114	1	857,412
114	Aug-19	6	22	294,034	35,089	38,466	4,205	349,552	4,464	91,557	47,233	1	864,629
115	Sep-19	6	22	294,136	35,089	38,466	4,205	352,217	4,496	92,096	47,289	1	868,023
116	Oct-19	6	22	296,091	35,089	38,466	4,205	352,446	4,496	92,934	47,736	1	871,491
117	Nov-19	6	22	298,160	35,089	38,466	4,205	354,345	4,529	93,915	48,943	1	877,680
118	Dec-19	-	24	298,852	35,089	42,790	-	355,658	4,531	95,004	48,817	1	880,766
119	Jan-20	-	24	300,925	35,089	42,790	-	355,316	4,531	93,980	49,482	1	882,138
120	Feb-20	-	24	301,151	35,089	42,790	-	356,476	4,531	94,079	49,507	1	883,648
121	Mar-20	-	24	301,373	35,089	42,790	-	357,595	4,531	94,106	49,507	1	885,016
122	Apr-20	-	24	301,373	35,089	42,790	-	357,595	4,531	94,106	49,507	1	885,016
123	May-20	-	24	301,373	35,089	42,790	-	357,595	4,531	94,106	49,507	1	885,016
124	Jun-20	-	24	301,373	35,089	42,790	-	357,595	4,531	94,106	49,507	1	885,016
125	Jul-20	-	24	301,373	35,089	42,790	-	357,595	4,531	94,106	49,507	1	885,016
126	Aug-20	-	24	301,373	35,089	42,790	-	357,595	4,531	94,106	49,507	1	\$ 885,016

Source: Duke Energy Asset Accounting

Depreciation Expense = Prior month Total Plant Net of JAAR * Depreciation Rate /12

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Duke Energy Progress - Cost of Service - Allocation Factors

<u>Line No.</u>	<u>Allocation Factor</u>	<u>NC Retail 2016</u>	<u>NC Retail 2017</u>	<u>NC Retail 2018</u>
1	Allocation Factor - DPAll Demand at Generation Level	60.6008%	61.3372%	61.5278%
2	Allocation Factor - Energy @ Prod. Output MWHs at Generation	60.8102%	60.8452%	61.1093%

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Cost of debt and Equity for coal ash deferral periods

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Sep 2017 - Dec 2017

	Capitalization Ratio [1]	Approved Cost Rate [1]	WEIGHTED COST OF CAPITAL		
			RETURN	AFTER TAX	BEFORE TAX
	(a)	(b)	(c) = (a) x (b)	(d)	
LONG TERM DEBT	47.00%	4.57%	2.1479%	1.3519%	2.1479%
EQUITY	53.00%	10.20%	5.4060%	5.4060%	7.0670% (f) = (d)/((a)-(e))
TOTAL	100.00%		7.5539%	6.7579%	9.2149%

Return on Equity 2.188%

Effective State and Federal Income Tax Rate 37.06% (e)

Jan-Feb 2018

	Capitalization Ratio [1]	Approved Cost Rate [1]	WEIGHTED COST OF CAPITAL		
			RETURN	AFTER TAX	BEFORE TAX
	(a)	(b)	(c) = (a) x (b)	(d)	
LONG TERM DEBT	47.00%	4.57%	2.1479%	1.6431%	2.1479%
EQUITY	53.00%	10.20%	5.4060%	5.4060%	7.0670% (f) = (d)/((a)-(e))
TOTAL	100.00%		7.5539%	7.0491%	9.2149%

Return on Equity 2.479%

Effective State and Federal Income Tax Rate 23.50% [3]

Mar - Dec 2018

	Capitalization Ratio [2]	Approved Cost Rate [2]	WEIGHTED COST OF CAPITAL		
			RETURN	AFTER TAX	BEFORE TAX
	(a)	(b)	(c) = (a) x (b)	(d)	
LONG TERM DEBT	48.00%	4.05%	1.9440%	1.4871%	1.9440%
EQUITY	52.00%	9.90%	5.1480%	5.1480%	6.7297% (f) = (d)/((a)-(e))
TOTAL	100.00%		7.0920%	6.6351%	8.6737%

Return on Equity 2.585%

Effective State and Federal Income Tax Rate 23.50% [3]

2019

	Capitalization Ratio [2]	Approved Cost Rate [2]	WEIGHTED COST OF CAPITAL		
			RETURN	AFTER TAX	BEFORE TAX
	(a)	(b)	(c) = (a) x (b)	(d)	
LONG TERM DEBT	48.00%	4.05%	1.9440%	1.4936%	1.9440%
EQUITY	52.00%	9.90%	5.1480%	5.1480%	6.7004% (f) = (d)/((a)-(e))
TOTAL	100.00%		7.0920%	6.6416%	8.6444%

Return on Equity 2.592%

Effective State and Federal Income Tax Rate 23.17% [4]

[1] Cost of capital rates from Docket No. E-2, Sub 1023

[2] Cost of capital rates from Docket No. E-2, Sub 1142

[3] Duke Energy Accounting

[4] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Amortize deferred environmental costs
 For the test period ended December 31, 2018

NC-1108
 Second Settlement

Depreciation Rates

<u>Line No.</u>	<u>Depreciation Rate</u>	Prior to	
		Mar 16 2018	Beg. Mar 16 2018 {1}
1	D FOS 315 ROXBORO #4	0.45%	3.05%
2	D FOS 311 ROXBORO COMMON	3.26%	5.03%
3	D FOS 312 ROXBORO #3-50121		4.74%
4	D FOS 312 ROXBORO #4	0.45%	1.33%
5	D FOS 312 ROXBORO #1		6.56%
6	D FOS 315 ROXBORO #3-50121		4.61%
7	D FOS 312 ROXBORO COMMON-50121		1.91%
8	D FOS 312 ROXBORO #2-50121		5.04%
9	D FOS 311 MAYO #1-50121		1.95%
10	D FOS 312 MAYO #1-50121		4.02%
11	D TRN 353-BU-Transmission 50126		1.90%

Source: Duke Energy Asset Accounting

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Amortize deferred environmental costs
 For the test period ended December 31, 2018
 (Dollars in thousands)

NC 1109
 Second Settlement

Estimate of Cost of Removal for Closure of Ash Ponds

Line		Decommissioning Amount for Closure of Ash Ponds [1]				(e)	(f)	(g)		(h) = [3] x (d)/(g)	(k)=[3] x (d)/(g)	(j)=[3] x (d)/(g)	(k) x (j)
1		(a)	(b)	(c)	(d)								
2	Plant	Closure of Ash Ponds [2]	Project Indirects Adder (5%) [2]	Contingency (10%) [2]	Total	Est. Retirement Date per Depr Study	Depr Study Implementation Date	Retail Recovery Period (in years) [4]	Wholesale Recovery Period (in years) [5]	Annual Retail COR for Ash Pond Closure	NC Annual Retail COR	Wholesale/ Remaining Annual COR	Annual COR for Closure of Ash Ponds
3													
4	Cape Fear	\$ 22,000	\$ 1,100	\$ 2,200	\$ 25,300		July 1, 2012	10	13	\$ 1,882	\$ 1,631	\$ 505	\$ 2,136
5	Lee	43,000	2,150	4,300	49,450		July 1, 2012	10	27	3,678	3,187	464	3,651
6	Robinson	11,000	550	1,100	12,650		July 1, 2012	10	27	941	815	120	935
7	Sutton	21,000	1,050	2,100	24,150		July 1, 2012	10	16	1,796	1,557	395	1,952
8	Weatherspoon	7,000	350	700	8,050		July 1, 2012	10	24	599	519	85	604
9	Subtotal Early-Retired Plants	104,000	5,200	10,400	119,600					8,895	7,709	1,569	9,278
10	Asheville	9,000	450	900	10,350	2033	July 1, 2012	21	21	367	318	126	444
11	Mayo	19,000	950	1,900	21,850	2035	July 1, 2012	23	23	707	612	243	856
12	Roxboro	47,000	2,350	4,700	54,050	2035	July 1, 2012	23	23	1,748	1,515	602	2,117
13	Subtotal active plants	75,000	3,750	7,500	86,250					2,821	2,445	972	3,417
14	Total	\$ 179,000	\$ 8,950	\$ 17,900	\$ 205,850					\$ 11,716	\$ 10,153	\$ 2,541	\$ 12,694

[1] Amounts reflect 100% system amounts.

[2] Amounts per DEP Dismantlement Study

[3] Based on allocation factors from the 2012 NC rate case

COR for Ash Pond Closure 74.371%
 NC Retail 64.454%
 Wholesale 25.629%

[4] Remaining Life per Depreciation Study

[5] Remaining Life per FERC Settlement Agreement

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Amortize deferred environmental costs
 For the test period ended December 31, 2018

NC 1110
 Second Settlement

Project Description	\$20,087,848	160920A01	20087848	20095627	20095627	20095628	20095628	20095629	20095629	20095629	CCROX148	CMY010141	CMY010188	CMY010189	CRX000139	CRX000212	CRX000213	CRXWAREHS	Grand Total	
	D FOS 312 ROXBORO COMMON-50121	D TRN 353-BU-Transmission 50126	D FOS 312 ROXBORO COMMON-50121	D FOS 312 ROXBORO #1-50121	D FOS 312 ROXBORO #2-50121	D FOS 312 ROXBORO #3-50121	D FOS 315 ROXBORO #3-50121	D FOS 312 ROXBORO #4-50121	D FOS 315 ROXBORO #4-50121	D FOS 311 ROXBORO COMMON-50121	D FOS 312 MAYO #1-50121	D FOS 311 MAYO #1-50121	D FOS 311 MAYO #1-50121	D FOS 312 ROXBORO COMMON-50121	D FOS 311 ROXBORO COMMON-50121					
201801								5287,06	600,26										33171.55	39,059
201802								3,382	384											3,766
201803								152	17											170
201804								8,221	933											9,154
201805					5,917,295			86	10											5,917,390
201806					84,862			83	9											84,954
201807					48,422			5,025	571											54,017
201808					100,106			86	10											100,202
201809					70,785			95	11											70,890
201810					27,489			82	9											27,581
201811					27,783		7,928,211	885,919	(404)	(46)										8,841,463
201812		2,736,133	91,254,452	120,532		636,916	71,171	558	63								22,853,630			117,673,455
201901		11,224	96,214	14,906		460,572	51,466								35,294,091		409,371			36,337,843
201902		5,922	1,566,335	6,623		875,255	97,803								638,355		58,929			3,249,222
201903		19,112	1,037,832	(108)		(106,205)	(11,868)								4,167,608		326,339			50,793,013
201904		4,552	1,602,076		296	54,876				6,700,621	198,486	16,184,956		38,659,682	125,073,416		625,589			144,168,186
201905		13,597	690,918			(138,986)				157,701	133,850	26,796,814		256,002	3,356,275		536,750		(343,452)	31,458,469
201906		18,087	(225,274)			21,523				175,967	101,737	429,079		81,761	1,898,113		191,077			2,882,081
201907		10,931	101,010			6,167				30,652	398,571	590,493		90,626	1,766,232		101,796			3,526,327
201908		20,178	432,993							28,874	19,888	206,809		188,760	1,307,237		70,465			2,201,320
201909	(318,728)	63								(14,927)	159,023	451,967		163,120	467,823		20,131			1,407,796
201910	109,744	20,479								48,993	429,776	742,253		(21,766)	1,130,242		138,786			2,923,647
201911		1,414	14,208			1,094,491	(1,094,491)	2,572	(2,572)	78,554	(44,723)	789,320		10,105	842,958		2,096			1,784,971
201912		142	(17,606)							31,962	236,679	(781,554)		29,928	(205,814)		22,064			(224,401)
202001		(92)								9,076	9,094	72,150		135	757,642		12,230			894,914
202002										18,111		19,887			730,694		43,218		(6,252)	805,658
Grand Total	(208,984)	2,861,832	96,553,065	6,418,692	296	10,832,819	-	25,226	-	7,464,069	17,628,852	29,317,218	39,764,487	137,124,819	41,864,255	25,353,328	33,172			415,033,147

Cumulative Plant additions																				
Project Description	\$20,087,848	160920A01	20087848	20095627	20095627	20095628	20095628	20095629	20095629	20095629	CCROX148	CMY010141	CMY010188	CMY010189	CRX000139	CRX000212	CRX000213	CRXWAREHS	Grand Total	
	D FOS 312 ROXBORO COMMON-50121	D TRN 353-BU-Transmission 50126	D FOS 312 ROXBORO COMMON-50121	D FOS 312 ROXBORO #1-50121	D FOS 312 ROXBORO #2-50121	D FOS 312 ROXBORO #3-50121	D FOS 315 ROXBORO #3-50121	D FOS 312 ROXBORO #4-50121	D FOS 315 ROXBORO #4-50121	D FOS 311 ROXBORO COMMON-50121	D FOS 312 MAYO #1-50121	D FOS 311 MAYO #1-50121	D FOS 311 MAYO #1-50121	D FOS 312 ROXBORO COMMON-50121	D FOS 311 ROXBORO COMMON-50121	D FOS 311 ROXBORO COMMON-50121	D FOS 311 ROXBORO COMMON-50121			
201801	-	-	-	-	-	-	-	5,287	600	-	-	-	-	-	-	-	-	-	33,172	39,059
201802	-	-	-	-	-	-	-	8,669	984	-	-	-	-	-	-	-	-	-	33,172	42,825
201803	-	-	-	-	-	-	-	8,821	1,002	-	-	-	-	-	-	-	-	-	33,172	42,995
201804	-	-	-	-	-	-	-	17,042	1,936	-	-	-	-	-	-	-	-	-	33,172	52,149
201805	-	-	-	5,917,295	-	-	-	17,128	1,945	-	-	-	-	-	-	-	-	-	33,172	5,969,539
201806	-	-	-	6,002,156	-	-	-	17,211	1,954	-	-	-	-	-	-	-	-	-	33,172	6,054,493
201807	-	-	-	6,050,579	-	-	-	22,236	2,525	-	-	-	-	-	-	-	-	-	33,172	6,108,511
201808	-	-	-	6,150,685	-	-	-	22,322	2,534	-	-	-	-	-	-	-	-	-	33,172	6,208,713
201809	-	-	-	6,221,469	-	-	-	22,417	2,545	-	-	-	-	-	-	-	-	-	33,172	6,279,603
201810	-	-	-	6,248,958	-	-	-	22,499	2,555	-	-	-	-	-	-	-	-	-	33,172	6,307,183
201811	-	-	-	6,276,741	-	7,928,211	885,919	22,095	2,509	-	-	-	-	-	-	-	-	-	33,172	15,148,647
201812	-	2,736,133	91,254,452	6,397,273	-	8,565,127	957,090	22,654	2,572	-	-	-	-	-	-	-	-	22,853,630	33,172	132,822,102
201901	-	2,747,357	91,350,665	6,412,178	-	9,025,699	1,008,555	22,654	2,572	-	-	-	-	-	-	35,294,091	23,263,001	-	33,172	169,159,945
201902	-	2,753,279	92,917,001	6,418,801	-	9,900,953	1,106,359	22,654	2,572	-	-	-	-	-	-	35,932,446	23,321,930	-	33,172	172,409,167
201903	-	2,772,391	93,954,833	6,418,692	-	9,794,749	1,094,491	22,654	2,572	6,700,621	-	-	-	-	40,100,055	23,648,269	-	-	33,172	223,202,180
201904	-	2,776,943	95,556,908	6,418,692	296	9,849,624	1,094,491	22,654	2,572	6,899,107	16,184,956	-	38,965,817	125,073,416	40,725,643	23,767,073	-	-	33,172	367,371,365
201905	-	2,790,540	96,247,826	6,418,692	296	9,710,638	1,094,491	22,654	2,572	7,056,807	16,318,806	26,796,814	39,221,819	128,429,691	41,262,394	23,423,621	-	-	33,172	398,830,834
201906	-	2,808,626	96,022,552	6,418,692	296	9,732,161	1,094,491	22,654	2,572	7,232,775	16,420,543	27,225,893	39,303,580	130,327,804	41,453,471	23,613,631	-	-	33,172	401,712,915
201907	-	2,819,557	96,123,562	6,418,692	296	9,738,328	1,094,491	22,654	2,572	7,263,427	16,819,115	27,816,387	39,394,206	132,094,037	41,555,267	24,043,479	-	-	33,172	405,230,242
201908	-	2,839,735	96,556,555	6,418,692	296	9,738,328	1,094,491	22,654	2,572	7,292,301	16,839,003	28,023,196	39,582,968	133,401,274	41,625,731	23,969,597	-	-	33,172	407,440,563
201909	(318,728)	2,839,798	96,556,555	6,418,692	296	9,738,328	1,094,491	22,654	2,572	7,277,373	16,998,026	28,475,163	39,746,086	133,869,097	41,645,862	24,448,921	-	-	33,172	408,848,359
201910	(208,984)	2,860,277	96,556,555	6,418,692	296	9,738,328	1,094,491	22,654	2,572	7,326,367	17,427,802	29,217,416	39,724,321	134,999,339	41,784,648	24,774,061	-	-	33,172	411,772,005
201911	(208,984)	2,861,691	96,570,763	6,418,692	296	10,832,819	-	25,226	-	7,404,920	17,383,079	30,006,736	39,734,426	135,842,298	41,786,744	24,865,099	-	-	33,172	413,556,099
201912	(208,984)	2,861,832	96,553,157	6,418,692	296	10,832,819	-	25,226	-	7,436,882	17,619,758	29,225,182	39,764,352	135,636,484	41,808,807	25,324,901	-	-	33,172	413,332,575
202001	(208,984)	2,861,832	96,553,065	6,418,692	296	10,832,819	-	25,226	-	7,445,958	17,628,852	29,297,331	39,764,487	136,394,125	41,821,037	25,359,580	-	-	33,172	414,227,489
202002	(208,984)	2,861,832	96,553,065	6,418,692	296	10,832,819	-	25,226	-	7,464,069	17,628,852	29,317,218	39,764,487	137,124,819	41,864,255	25,353,328	-	-	33,172	415,033,147

Smith Second Settlement Exhibit 1

NC 1110
Second Settlement

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Amortize deferred environmental costs
For the test period ended December 31, 2018

Total Plant - Net of JAAR Impact																				Grand Total
Project	\$20,087,848	160920A01	20087848	20095627	20095627	20095628	20095628	20095629	20095629	20095629	CCROX148	CMY010141	CMY010188	CMY010189	CRX000139	CRX000212	CRX000213	CRXWAREHS	Grand Total	
Description	D FOS 312 ROXBORO	D TRN 353-BU-Transmission 50126	D FOS 312 ROXBORO	D FOS 312 ROXBORO #1-50121	D FOS 312 ROXBORO #2-50121	D FOS 312 ROXBORO #3-50121	D FOS 315 ROXBORO #3-50121	D FOS 312 ROXBORO #4-50121	D FOS 315 ROXBORO #4-50121	D FOS 311 ROXBORO	D FOS 312 MAYO #1-50121	D FOS 311 MAYO #1-50121	D FOS 311 MAYO #1-50121	D FOS 311 ROXBORO	D FOS 312 COMMON-50121	D FOS 311 ROXBORO	D FOS 311 COMMON-50121	D FOS 311 ROXBORO	D FOS 311 COMMON-50121	Grand Total
Depreciation Group	JAAR %	3.77%	3.77%					12.94%	12.94%	3.77%	16.17%	16.17%	16.17%	3.77%	3.77%	3.77%	3.77%	3.77%		
201801	-	-	-	-	-	-	-	4,603	523	-	-	-	-	-	-	-	-	-	-	31,921
201802	-	-	-	-	-	-	-	7,547	857	-	-	-	-	-	-	-	-	-	-	31,921
201803	-	-	-	-	-	-	-	7,680	872	-	-	-	-	-	-	-	-	-	-	31,921
201804	-	-	-	-	-	-	-	14,837	1,685	-	-	-	-	-	-	-	-	-	-	31,921
201805	-	-	-	5,917,295	-	-	-	14,912	1,693	-	-	-	-	-	-	-	-	-	-	31,921
201806	-	-	-	6,002,156	-	-	-	14,984	1,701	-	-	-	-	-	-	-	-	-	-	31,921
201807	-	-	-	6,050,579	-	-	-	19,359	2,198	-	-	-	-	-	-	-	-	-	-	31,921
201808	-	-	-	6,150,685	-	-	-	19,434	2,206	-	-	-	-	-	-	-	-	-	-	31,921
201809	-	-	-	6,221,469	-	-	-	19,516	2,216	-	-	-	-	-	-	-	-	-	-	31,921
201810	-	-	-	6,248,358	-	-	-	19,588	2,224	-	-	-	-	-	-	-	-	-	-	31,921
201811	-	-	-	6,278,741	-	-	7,928,211	885,919	19,236	2,184	-	-	-	-	-	-	-	-	-	31,921
201812	-	2,736,133	87,814,159	6,397,273	-	8,565,127	957,090	19,723	2,239	-	-	-	-	-	-	-	21,992,049	-	-	31,921
201901	-	2,747,357	87,906,745	6,412,178	-	9,025,699	1,008,555	19,723	2,239	-	-	-	-	-	33,963,504	22,385,986	-	-	-	31,921
201902	-	2,753,279	89,414,030	6,418,801	-	9,900,953	1,106,359	19,723	2,239	-	-	-	-	-	34,577,793	22,442,694	-	-	-	31,921
201903	-	2,772,391	90,412,735	6,418,692	-	9,794,749	1,094,491	19,723	2,239	6,448,007	-	-	-	32,408,411	38,588,283	22,756,729	-	-	-	31,921
201904	-	2,776,943	91,954,413	6,418,692	296	9,849,624	1,094,491	19,723	2,239	6,639,010	13,567,849	-	-	32,665,044	120,358,148	39,190,287	22,871,055	-	-	31,921
201905	-	2,790,540	92,619,283	6,418,692	296	9,710,638	1,094,491	19,723	2,239	6,790,766	13,680,055	22,463,770	-	32,679,651	123,587,892	39,706,801	22,540,550	-	-	31,921
201906	-	2,808,626	92,402,502	6,418,692	296	9,732,161	1,094,491	19,723	2,239	6,980,099	13,765,342	22,823,466	-	32,948,191	125,414,446	39,890,675	22,723,397	-	-	31,921
201907	-	2,819,557	92,499,704	6,418,692	296	9,738,328	1,094,491	19,723	2,239	6,989,596	14,099,464	23,318,477	-	33,024,163	127,114,092	39,988,633	23,137,040	-	-	31,921
201908	-	2,839,735	92,916,373	6,418,692	296	9,738,328	1,094,491	19,723	2,239	7,017,381	14,116,136	23,491,845	-	33,182,400	128,372,046	40,056,441	23,065,943	-	-	31,921
201909	(306,712)	2,839,798	92,916,373	6,418,692	296	9,738,328	1,094,491	19,723	2,239	7,003,016	14,249,445	23,870,729	-	33,319,144	128,822,232	40,075,813	23,527,197	-	-	31,921
201910	(201,106)	2,860,277	92,916,373	6,418,692	296	9,738,328	1,094,491	19,723	2,239	7,050,163	14,609,726	24,492,960	-	33,300,898	129,909,864	40,209,367	23,840,078	-	-	31,921
201911	(201,106)	2,861,691	92,930,045	6,418,692	296	10,832,819	-	21,962	-	7,125,755	14,572,235	25,154,647	-	33,309,369	130,721,043	40,211,383	23,927,685	-	-	31,921
201912	(201,106)	2,861,832	92,913,103	6,418,692	296	10,832,819	-	21,962	-	7,156,512	14,770,643	24,499,470	-	33,334,457	130,522,988	40,232,615	24,370,152	-	-	31,921
202001	(201,106)	2,861,832	92,913,014	6,418,692	296	10,832,819	-	21,962	-	7,165,245	14,778,266	24,559,953	-	33,334,570	131,252,067	40,244,384	24,403,524	-	-	31,921
202002	(201,106)	2,861,832	92,913,014	6,418,692	296	10,832,819	-	21,962	-	7,182,674	14,778,266	24,576,624	-	33,334,570	131,955,214	40,285,973	24,397,507	-	-	31,921

Depreciation Expense																				Grand Total
Project	20087848	160920A01	20087848	20095627	20095627	20095628	20095628	20095629	20095629	20095629	CCROX148	CMY010141	CMY010188	CMY010189	CRX000139	CRX000212	CRX000213	CRXWAREHS	Grand Total	
Description	D FOS 312 ROXBORO	D TRN 353-BU-Transmission 50126	D FOS 312 ROXBORO	D FOS 312 ROXBORO #1-50121	D FOS 312 ROXBORO #2-50121	D FOS 312 ROXBORO #3-50121	D FOS 315 ROXBORO #3-50121	D FOS 312 ROXBORO #4-50121	D FOS 315 ROXBORO #4-50121	D FOS 311 ROXBORO	D FOS 312 MAYO #1-50121	D FOS 311 MAYO #1-50121	D FOS 311 MAYO #1-50121	D FOS 311 ROXBORO	D FOS 312 COMMON-50121	D FOS 311 ROXBORO	D FOS 311 COMMON-50121	D FOS 311 ROXBORO	D FOS 311 COMMON-50121	Grand Total
Depreciation Group	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	COMMON-50121	Grand Total
Depr Rate Prior To 3/16/2018										0.45%	0.45%	3.26%								
Depr Rate Beg. 3/16/2018	1.91%	1.90%	1.91%	6.56%	5.04%	4.74%	4.61%	1.33%	3.05%	5.03%	4.02%	1.95%	1.95%	1.91%	5.03%	5.03%	5.03%	5.03%		
201801	-	-	-	-	-	-	-	-	2	0	-	-	-	-	-	-	-	-	-	87
201802	-	-	-	-	-	-	-	-	6	1	-	-	-	-	-	-	-	-	-	110
201803	-	-	-	-	-	-	-	-	9	2	-	-	-	-	-	-	-	-	-	134
201804	-	-	-	-	-	-	-	-	16	4	-	-	-	-	-	-	-	-	-	155
201805	-	-	-	32,348	-	-	-	-	17	4	-	-	-	-	-	-	-	-	-	134
201806	-	-	-	32,812	-	-	-	-	17	4	-	-	-	-	-	-	-	-	-	134
201807	-	-	-	33,077	-	-	-	-	21	6	-	-	-	-	-	-	-	-	-	134
201808	-	-	-	33,624	-	-	-	-	22	6	-	-	-	-	-	-	-	-	-	134
201809	-	-	-	34,011	-	-	-	-	22	6	-	-	-	-	-	-	-	-	-	134
201810	-	-	-	34,161	-	-	-	-	22	6	-	-	-	-	-	-	-	-	-	134
201811	-	-	-	34,313	-	31,316	3,403	21	6	-	-	-	-	-	-	-	-	-	-	134
201812	-	4,332	139,771	34,972	-	33,832	3,677	22	6	-	-	-	-	-	-	-	92,183	-	-	134
201901	-	4,350	139,918	35,053	-	35,652	3,875	22	6	-	-	-	-	-	-	142,364	93,835	-	-	134
201902	-	4,359	142,317	35,089	-	39,109	4,250	22	6	-	-	-	-	-	-	144,939	94,072	-	-	134
201903	-	4,390	143,907	35,089	-	38,689	4,205	22	6	27,028	-	-	-	52,664	-	161,749	95,389	-	-	134
201904	-	4,397	146,361	35,089	1	38,906	4,205	22	6	27,829	45,452	-	-	53,081	191,570	161,749	95,868	-	-	134
201905	-	4,418	147,419	35,089	1	38,357	4,205	22	6	28,465	45,828	36,504	-	53,429	196,711	164,273	94,482	-	-	134
201906	-	4,447	147,074	35,089	1	38,442	4,205	22	6	29,174	46,114	37,088	-	53,541	199,618	167,208	95,249	-	-	134
201907	-	4,464	147,229	35,089	1	38,466	4,205	22	6	29,298	47,233	37,893	-	53,664	202,323	167,619	96,983	-	-	134
201908	-	4,496	147,892	35,089	1	38,466	4,205	22	6	29,415	47,289	38,174	-	53,921	204,326	167,903	96,685	-	-	134
201909	(488)	4,496	147,892	35,089	1	38,466	4,205	22	6	29,454	47,736	38,790	-	54,144	205,042	167,984	96,618	-	-	134
201910	(320)	4,529	147,892	35,089	1	38,466	4,205	22	6	29,552	48,943	39,801	-	54,114	206,773	168,544	99,930	-	-	134
201911	(320)	4,531	147,914	35,089	1	42,790	-	24	-	29,869	48,817	40,876	-	54,128	208,064	168,553	100,297	-	-	134
202001	(320)	4,531	147,887	35,089	1	42,790	-	24	-	29,998	49,482	39,812	-	54,168	207,749	168,642	102,152	-	-	134
202002	(320)	4,531	147,887	35,089	1	42,790	-	24	-	30,034	49,507	39,910	-	54,169	208,910	168,691	102,291	-	-	134
202003	(320)	4,531	147,887	35,089	1	42,790	-	24	-	30,107	49,507	39,937	-	54,169	210,029	168,865	102,266	-	-	134
202004	(320)	4,531	147,887	35,089	1	42,790	-	24	-	30,107	49,507	39,937	-	54,169	210,029	168,865	102,266	-	-	134
202005	(320)	4,531	147,887	35,089	1	42,790	-	24	-	30,107	49,507	39,937	-	54,169	210,029	168,865	102,266	-	-	134
202006	(320)	4,531	147,887	35,089	1	42,790	-	24	-	30,107	49,507	39,937	-	54,169	210,029	168,865	102,266	-	-	134
202007	(320)	4,531	147,887	35,089																

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Amortize deferred environmental costs
 For the test period ended December 31, 2018

NC 1110
 Second Settlement

Tax Basis for Bonus Depreciation ADIT			20087848	20095627	20095627	20095628	20095628	20095629	20095629	20095629	CCROX148	CMY010141	CMY010188	CMY010189	CRX000139	CRX000212	CRX000213	CRXWAREHS	Grand Total
Project	Project	Project	20087848	20095627	20095627	20095628	20095628	20095629	20095629	20095629	CCROX148	CMY010141	CMY010188	CMY010189	CRX000139	CRX000212	CRX000213	CRXWAREHS	Grand Total
Description	YES	NO	YES	YES	YES	NO	NO	No	No	NO	YES	YES	NO	YES	NO	YES	YES		
Initial In Service Y	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019	2019	2019	2018	2018		
Bonus Depr %	50%		50%	50%	50%						40%	40%		40%		50%	50%		
201801	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201802	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201803	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201804	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201805	-	-	-	-	2,958,647	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201806	-	-	-	-	3,001,078	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201807	-	-	-	-	3,025,289	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201808	-	-	-	-	3,075,342	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201809	-	-	-	-	3,110,735	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201810	-	-	-	-	3,124,479	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201811	-	-	-	-	3,138,371	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201812	-	-	43,807,090	3,198,636	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201901	-	-	43,953,373	3,206,089	-	-	-	-	-	-	-	-	-	-	-	-	10,896,024	-	11,992,993
201902	-	-	44,707,015	3,209,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201903	-	-	45,206,368	3,209,346	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,960
201904	-	-	45,977,206	3,209,346	148	-	-	-	-	-	5,427,139	-	-	-	48,143,259	-	-	-	15,960
201905	-	-	46,309,642	3,209,346	148	-	-	-	-	-	5,472,022	8,985,508	-	-	49,435,157	-	-	-	15,960
201906	-	-	46,201,251	3,209,346	148	-	-	-	-	-	5,606,137	9,129,387	-	-	50,165,779	-	-	-	15,960
201907	-	-	46,249,852	3,209,346	148	-	-	-	-	-	5,639,786	9,327,391	-	-	50,845,637	-	-	-	15,960
201908	-	-	46,458,186	3,209,346	148	-	-	-	-	-	5,646,454	9,396,738	-	-	51,348,818	-	-	-	15,960
201909	(153,356)	-	46,458,186	3,209,346	148	-	-	-	-	-	5,699,778	9,548,292	-	-	51,528,893	-	-	-	15,960
201910	(100,553)	-	46,458,186	3,209,346	148	-	-	-	-	-	5,843,890	9,797,184	-	-	51,963,946	-	-	-	15,960
201911	(100,553)	-	46,465,023	3,209,346	148	-	-	-	-	-	5,828,894	10,061,859	-	-	52,288,417	-	-	-	15,960
201912	(100,553)	-	46,456,551	3,209,346	148	-	-	-	-	-	5,908,257	9,799,788	-	-	52,209,195	-	-	-	15,960
202001	(100,553)	-	46,456,507	3,209,346	148	-	-	-	-	-	5,911,306	9,823,981	-	-	52,500,827	-	-	-	15,960
202002	(100,553)	-	46,456,507	3,209,346	148	-	-	-	-	-	5,911,306	9,830,650	-	-	52,782,085	-	-	-	15,960

Accumulated Deferred Income taxes			20087848	20095627	20095627	20095628	20095628	20095629	20095629	20095629	CCROX148	CMY010141	CMY010188	CMY010189	CRX000139	CRX000212	CRX000213	CRXWAREHS	Grand Total	
Project	Project	Project	20087848	20095627	20095627	20095628	20095628	20095629	20095629	20095629	CCROX148	CMY010141	CMY010188	CMY010189	CRX000139	CRX000212	CRX000213	CRXWAREHS	Grand Total	
Description	YES	NO	YES	YES	YES	NO	NO	No	No	NO	YES	YES	NO	YES	NO	YES	YES			
Tax Rate	23.1693%		23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%	23.1693%			
201801	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(3,698)
201802	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(3,698)
201803	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(3,698)
201804	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(3,698)
201805	-	-	-	-	(685,498)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(689,196)
201806	-	-	-	-	(695,329)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(699,027)
201807	-	-	-	-	(700,938)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(704,636)
201808	-	-	-	-	(712,535)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(716,233)
201809	-	-	-	-	(720,735)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(724,433)
201810	-	-	-	-	(723,920)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(727,618)
201811	-	-	-	-	(727,139)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,698)	(730,836)
201812	-	-	(10,172,963)	(741,102)	-	-	-	-	-	-	-	-	-	-	-	-	(2,547,702)	(3,698)	(13,465,465)	
201901	-	-	(10,183,689)	(742,828)	-	-	-	-	-	-	-	-	-	-	-	-	(2,593,338)	(3,698)	(13,523,554)	
201902	-	-	(10,358,303)	(743,596)	-	-	-	-	-	-	-	-	-	-	-	-	(2,598,908)	(3,698)	(13,705,504)	
201903	-	-	(10,473,899)	(743,583)	-	-	-	-	-	-	-	-	-	-	-	-	(2,636,287)	(3,698)	(13,857,588)	
201904	-	-	(10,652,597)	(743,583)	(34)	-	-	-	-	-	(1,257,430)	-	-	-	(11,154,456)	-	(2,649,532)	(3,698)	(26,461,331)	
201905	-	-	(10,729,620)	(743,583)	(34)	-	-	-	-	-	(1,267,829)	(2,081,879)	-	-	(11,453,780)	-	(2,611,244)	(3,698)	(28,891,688)	
201906	-	-	(10,704,507)	(743,583)	(34)	-	-	-	-	-	(1,275,733)	(2,115,215)	-	-	(11,623,060)	-	(2,632,426)	(3,698)	(29,098,256)	
201907	-	-	(10,715,767)	(743,583)	(34)	-	-	-	-	-	(1,306,699)	(2,161,091)	-	-	(11,780,578)	-	(2,680,345)	(3,698)	(29,391,796)	
201908	-	-	(10,764,037)	(743,583)	(34)	-	-	-	-	-	(1,308,244)	(2,177,158)	-	-	(11,897,162)	-	(2,672,109)	(3,698)	(29,566,025)	
201909	35,532	-	(10,764,037)	(743,583)	(34)	-	-	-	-	-	(1,320,599)	(2,212,272)	-	-	(11,938,884)	-	(2,725,543)	(3,698)	(29,673,119)	
201910	23,297	-	(10,764,037)	(743,583)	(34)	-	-	-	-	-	(1,353,989)	(2,269,939)	-	-	(12,039,683)	-	(2,761,790)	(3,698)	(29,913,455)	
201911	23,297	-	(10,765,621)	(743,583)	(34)	-	-	-	-	-	(1,350,514)	(2,331,262)	-	-	(12,114,861)	-	(2,771,939)	(3,698)	(30,058,214)	
201912	23,297	-	(10,763,658)	(743,583)	(34)	-	-	-	-	-	(1,368,902)	(2,270,542)	-	-	(12,096,505)	-	(2,823,197)	(3,698)	(30,046,822)	
202001	23,297	-	(10,763,648)	(743,583)	(34)	-	-	-	-	-	(1,369,608)	(2,276,148)	-	-	(12,164,074)	-	(2,827,063)	(3,698)	(30,124,559)	
202002	23,297	-	(10,763,648)	(743,583)	(34)	-	-	-	-	-	(1,369,608)	(2,277,693)	-	-	(12,229,240)	-	(2,826,366)	(3,698)	(30,190,573)	

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018

NC-2200
Second Settlement

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro-forma adjusts income taxes to reflect the tax impact that results from annualizing interest expense based on the end-of-period, adjusted rate base.

The impact to income taxes was determined as follows:

First, multiply rate base after all pro-forma adjustments have been made by the long-term debt ratio to calculate an adjusted long-term debt balance. Second, multiply the adjusted long-term debt balance by the end of year cost of long-term debt to calculate annualized interest expense. Third, subtract interest expense incurred during the test period from annualized interest expense and multiply the difference by the statutory tax rate.

October Update

Reflects changes for October updates to actuals

November Update

Reflects changes for November actuals

December Update

Reflects changes for December actuals

January Update

Reflects changes for January actuals

February Update

Reflects changes for February actuals

Second Settlement

Reflects changes for settlement adjustments flowing from other proformas

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Synchronize interest expense with end of period rate base
 For the test period ended December 31, 2018
 (Dollars in thousands)

NC-2200
 Second Settlement

Line No.	Description	Source	Second Settlement	Second Supplemental	Second Supplemental	Total NC Retail April	Partial Settlement	Application	Change
Pro Formas Impacting Income Statement Line Items									
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
6	Electric operating expenses:								
7	Operation and maintenance								
8	Fuel used in electric generation		-	-	-	-	-	-	-
9	Purchased power		-	-	-	-	-	-	-
10	Other operation and maintenance expense		-	-	-	-	-	-	-
11	Depreciation and amortization		-	-	-	-	-	-	-
12	General taxes		-	-	-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-	-	-
14	Income taxes	NC-2201	387	2,104	3,081	3,324	3,704	123	264
15	Amortization of investment tax credit		-	-	-	-	-	-	-
17	Total electric operating expenses	Sum L8 through L15	387	2,104	3,081	3,324	3,704	123	264
19	Operating income	L4 - L17	\$ (387)	\$ (2,104)	\$ (3,081)	\$ (3,324)	\$ (3,704)	\$ (123)	\$ (264)
21	Notes:								
22	Revenue: positive number increases revenue / negative number decreases revenue								
23	Expense: positive number increases expense / negative number decreases expense								
Pro Formas Impacting Rate Base Line Items									
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
29	Accumulated depreciation and amortization		-	-	-	-	-	-	-
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-	-	-
32	Add:								
33	Materials and supplies		-	-	-	-	-	-	-
34	Working capital investment		-	-	-	-	-	-	-
37	Less:								
38	Accumulated deferred taxes		-	-	-	-	-	-	-
39	Operating reserves		-	-	-	-	-	-	-
42	Construction work in progress		-	-	-	-	-	-	-
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
46	Note:								
47	Rate Base: positive number increases rate base / negative number decreases rate base								

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Synchronize interest expense with end of period rate base
For the test period ended December 31, 2018
(Dollars in thousands)

NC-2201
Second Settlement

Line No.	Description	Total System Col [a]	NC Retail Allocation Col [b]	Total NC Retail Col [c]
1				
2	Rate base before pro forma adjustments	\$ 14,580,739 [1]	67.6169% [2]	\$ 9,859,050 [1]
3				
4	Pro forma rate base before working capital adjustment	\$ 15,995,329 [3]		\$ 10,815,553
5				
6	Long-term debt ratio	48.0000% [4]		48.0000% [4]
7	Calculated long-term debt (L4 x L6)	\$ 7,677,758		\$ 5,191,465
8				
9	End of year cost of long-term debt	4.0449% [4]		4.0449% [4]
10	Annualized interest expense (L7 x L9)	\$ 310,561		\$ 209,992
11				
12	Incurred interest expense	315,466 [5]	67.0949% [6]	211,661
13	Less interest on customer deposits	(8,643) [7]		(7,971) [7]
14	Net interest expense	306,823		203,690
15				
16	Increase / <decrease> to interest costs (L10 - L14)	\$ 3,738		\$ (1,669)
17				
18	Statutory tax rate	23.1693% [8]		23.1693% [8]
19	Impact to income taxes (-L16 x L18)	\$ (866)		\$ 387
20				
21	Impact to operating income (-L19)	\$ 866		\$ (387)

[1] Smith Exhibit 1, Page 1, Line 12

[2] NC Retail Allocation Factor - Calculation: L2, Col [c] / L2, Col [a]

[3] Calculation: L4, Col [c] / L2, Col [b]

[4] Smith Exhibit 1, Page 2, Line 1

[5] Cost of Service, E-1 Item 45a, Total Other Interest Expense, Line 702

[6] NC Retail Allocation Factor - Net Book Plant

[7] Smith Exhibit 1, Page 1, Line 7

[8] NC-0104 - 2019 Tax Rate, Line 10

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust cash working capital for present revenue annualized and proposed revenue
For the test period ended December 31, 2018

NC-2300
Second Settlement

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

This pro forma adjusts cash working capital to incorporate the impact of the other pro forma adjustments. It also calculates the additional cash working capital required as a result of the proposed increase in rates. The adjustment is in accordance with the Commission's March 21, 2016 order in Docket No. M-100 Sub 137.

October Update

Reflects changes for October updates to actuals

November Update

Reflects changes for November actuals

December Update

Reflects changes for December actuals

January Update

Reflects changes for January 2020 actuals

February Update

Reflects changes for February 2020 actuals and revised E&Y Lead Lag Study

Settlement Update

Reflects changes for settlement adjustments flowing from other proformas

Second Settlement

Reflects changes for settlement adjustments flowing from other proformas

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Adjust cash working capital for present revenue annualized and proposed revenue
 For the test period ended December 31, 2018
 (Dollars in thousands)

NC-2300
 Second Settlement

Line No.	Description	Source	Present		Proposed		Total NC Retail		Present		Proposed		Present		Proposed	
			Second Settlement	Second Settlement	Second Supplemental	Second Supplemental	Present Partial Settlement	Proposed Partial Settlement	Application	Application	Change	Change				
Pro Forms Impacting Income Statement Line Items																
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Electric operating expenses															
7	Operation and maintenance															
8	Fuel used in electric generator		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Purchased power		-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other operation and maintenance expense		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Depreciation and amortization		-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	General taxes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Interest on customer deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Income taxes	NC-2301 & NC-2302	99	(234)	86	(248)	77	(234)	122	(337)	(23)	103				
15	Amortization of investment tax credit		-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Total electric operating expenses	Sum L8 through L15	99	(234)	86	(248)	77	(234)	122	(337)	(23)	103				
19	Operating income	L4 - L17	<u>\$ (99)</u>	<u>\$ 234</u>	<u>\$ (86)</u>	<u>\$ 248</u>	<u>\$ (77)</u>	<u>\$ 234</u>	<u>\$ (122)</u>	<u>\$ 337</u>	<u>\$ 23</u>	<u>\$ (103)</u>				
Notes:																
22	Revenue: positive number increases revenue / negative number decreases revenue															
23	Expense: positive number increases expense / negative number decreases expense															
Pro Forms Impacting Rate Base Line Items																
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization		-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add:																
33	Materials and supplies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	Working capital investment	NC-2302	(22,061)	51,938	(19,273)	55,523	(17,314)	52,407	(27,013)	74,407	4,952	(22,469)				
Less:																
38	Accumulated deferred taxes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Operating reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Construction work in progress		-	-	-	-	-	-	-	-	-	-	-	-	-	-
44	Total impact to rate base	Sum L30 through L42	<u>\$ (22,061)</u>	<u>\$ 51,938</u>	<u>\$ (19,273)</u>	<u>\$ 55,523</u>	<u>\$ (17,314)</u>	<u>\$ 52,407</u>	<u>\$ (27,013)</u>	<u>\$ 74,407</u>	<u>\$ 4,952</u>	<u>\$ (22,469)</u>				
Note:																
47	Rate Base: positive number increases rate base / negative number decreases rate base															

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Schedule No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

NC-2002
 Second Settlement

Line	Description	NC Retail					Level 100 Taxes				
		Pre Book	(1) Adjustments	(2) Balance Change (to (1) + (2))	Change in (3) + (4)	Adjusted (5) (1) + (2) + (4)	Pre Book	(1) Adjustments	(1) Balance Change (to (1) + (2))	Adjusted (5) (1) + (2) + (4)	
1	Rate Schedule Revenue	\$ 3,375,788		\$ 3,375,788		41.88		41.88	41.88		
2	Total Revenue Less Sales for Resale	(134,915)		(134,915)		30.73		30.73	30.73		
3	Provisions for Fuel Materials	(104,840)		(104,840)		41.88		41.88	41.88		
4	Amortization Expenses	5,556		5,556		70.20		70.20	70.20		
5	RENT - 1451 - COST PAID REEL	4,456		4,456		41.83		41.83	41.83		
6	RENT - 1451 - COST PAID RENTAL REV	10,301		10,301		100.00		100.00	100.00		
7	RENT - 1451 - TRANSFER TO REEL	362		362		0.00		0.00	0.00		
8	RENT - 1451 - COST PAID LIGHTING	4,617		4,617		41.83		41.83	41.83		
9	RENT - 1451 - COST PAID LIGHTING	3,969		3,969		41.83		41.83	41.83		
10	RENT - 1451 - OTHER	3,413		3,413		60.21		60.21	60.21		
11	OTHER ELIGIBLE REVENUE FOR CURRENT TAXES	(201,897)		(201,897)		41.88		41.88	41.88		
12	NC-2002 Normalized revenues for customer growth	(27,512)		(27,512)		41.88		41.88	41.88		
13	NC-2002 Normalized revenues for customer growth	(5,365)		(5,365)		41.88		41.88	41.88		
14	NC-2002 Normalized revenues for customer growth	(11,826)		(11,826)		41.88		41.88	41.88		
15	NC-2002 Normalized revenues for customer growth	(27,836)		(27,836)		41.88		41.88	41.88		
16	NC-2002 Normalized revenues for customer growth	(4,155)		(4,155)		41.88		41.88	41.88		
17	Revolving					41.88		41.88	41.88		
18	Revolving					41.88		41.88	41.88		
19	Revolving					41.88		41.88	41.88		
20	Revolving					41.88		41.88	41.88		
21	Revolving					41.88		41.88	41.88		
22	Revolving					41.88		41.88	41.88		
23	Revolving					41.88		41.88	41.88		
24	Revolving					41.88		41.88	41.88		
25	Revolving					41.88		41.88	41.88		
26	Revolving					41.88		41.88	41.88		
27	Revolving					41.88		41.88	41.88		
28	Revolving					41.88		41.88	41.88		
29	Revolving					41.88		41.88	41.88		
30	Revolving					41.88		41.88	41.88		
31	Revolving					41.88		41.88	41.88		
32	Revolving					41.88		41.88	41.88		
33	Revolving					41.88		41.88	41.88		
34	Revolving					41.88		41.88	41.88		
35	Revolving					41.88		41.88	41.88		
36	Revolving					41.88		41.88	41.88		
37	Revolving					41.88		41.88	41.88		
38	Revolving					41.88		41.88	41.88		
39	Revolving					41.88		41.88	41.88		
40	Revolving					41.88		41.88	41.88		
41	Revolving					41.88		41.88	41.88		
42	Revolving					41.88		41.88	41.88		
43	Revolving					41.88		41.88	41.88		
44	Revolving					41.88		41.88	41.88		
45	Revolving					41.88		41.88	41.88		
46	Revolving					41.88		41.88	41.88		
47	Revolving					41.88		41.88	41.88		
48	Revolving					41.88		41.88	41.88		
49	Revolving					41.88		41.88	41.88		
50	Revolving					41.88		41.88	41.88		
51	Revolving					41.88		41.88	41.88		
52	Revolving					41.88		41.88	41.88		
53	Revolving					41.88		41.88	41.88		
54	Revolving					41.88		41.88	41.88		
55	Revolving					41.88		41.88	41.88		
56	Revolving					41.88		41.88	41.88		
57	Revolving					41.88		41.88	41.88		
58	Revolving					41.88		41.88	41.88		
59	Revolving					41.88		41.88	41.88		
60	Revolving					41.88		41.88	41.88		
61	Revolving					41.88		41.88	41.88		
62	Revolving					41.88		41.88	41.88		
63	Revolving					41.88		41.88	41.88		
64	Revolving					41.88		41.88	41.88		
65	Revolving					41.88		41.88	41.88		
66	Revolving					41.88		41.88	41.88		
67	Revolving					41.88		41.88	41.88		
68	Revolving					41.88		41.88	41.88		
69	Revolving					41.88		41.88	41.88		
70	Revolving					41.88		41.88	41.88		
71	Revolving					41.88		41.88	41.88		
72	Revolving					41.88		41.88	41.88		
73	Revolving					41.88		41.88	41.88		
74	Revolving					41.88		41.88	41.88		
75	Revolving					41.88		41.88	41.88		
76	Revolving					41.88		41.88	41.88		
77	Revolving					41.88		41.88	41.88		
78	Revolving					41.88		41.88	41.88		
79	Revolving					41.88		41.88	41.88		
80	Revolving					41.88		41.88	41.88		
81	Revolving					41.88		41.88	41.88		
82	Revolving					41.88		41.88	41.88		
83	Revolving					41.88		4			

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Cash Working Capital for NC Retail Operations - Lead Lag Summary
For the test period ended December 31, 2018
Dollars in Thousands

Revised E-1 Item 14

Line No	Description	Actual Annual Expense [A]	Lead (Lag) Days [B]	Weighted Amount [C]
Calculation of NC Retail Amount:				
1	Total Revenue Lag	\$ (3,657,503)	42.13	\$ (154,105,865)
2				
3	Operation & Maintenance Expense	\$ 2,091,224	33.30	\$ 69,630,312
4	Depreciation and Amortization	669,787	0.00	-
5	Taxes Other Than Income Taxes	102,197	132.70	13,561,920
6	Interest on Customer Deposits	7,971	137.50	1,096,011
7	Net Income Taxes	112,986	-20.60	(2,327,337)
8	ITC	(2,134)	0.00	-
9	Income for Return	675,472	27.48	18,562,554
10	Total Requirements (Sum L3:L9)	<u>\$ 3,657,503</u>	27.48	<u>\$ 100,523,460</u>
11				
12	Revenue Lag Days (L1)		42.13	
13	Requirements Lead Days (-L10)		<u>-27.48</u>	
14	Net Lag Days (L12 + L13)		<u>14.65</u>	
15	Daily Requirements (Line 9, Col. A divided by 365)			\$ 10,020.56
16				
17	Estimated Cash Working Capital Requirements (L14 x L15)			\$ 146,801
18	Add: Cash Working Capital Related to NC Sales Tax			4,760
19	Total Cash Working Capital Requirements (L17 + L18)			<u>\$ 151,561</u>
20				
21	Calculation of Total Company and Jurisdictional Amounts:			
22	NC Retail Factor			67.0949% [1]
23				
24	Total Company Cash Working Capital Requirements (L19 / L22)			\$ 225,890
25				

[1] NC Retail Allocation Factor - Net Book Plant

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Adjustment to Cash Working Capital - Input Worksheet
 For the test period ended December 31, 2018

NC-2304
 Second Settlement

Line No	Description	Rate	Ratio	Weighted
1	Debt	4.04% [1]	48.00% [1]	1.9416% [2]
2	Equity	9.60% [1]	52.00% [1]	4.9920% [3]
3	Total ROR (L1 + L2)			6.9336%
4				
5	Statutory tax rate	23.1693% [4]		
6	Statutory regulatory fee percentage rate	0.1297% [5]		
7	Uncollectibles rate	0.24% [6]		

Notes:

[1] Smith Exhibit 1, Page 2

[2] Debt Rate x Debt Ratio

[3] ROE x Equity Ratio

[4] NC-0104 - 2019 Tax Rate, Line 10

[5] NC-0103 - NCUC Statutory Regulatory Fee Percentage Rate, Docket No. M-100, Sub 142

[6] NC-0105 - Development of Uncollectibles Rate

Smith Second Settlement Exhibit 1

Supplemental E-1 Item 14

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Cash Working Capital for NC Retail Operations - Lead Lag Detail
For the test period ended December 31, 2018

NC-2305
Second Settlement

Support Sch #	Line No.	Total Utility Operating Revenue and Expense Line Description	Account	System YTD Dec 2018	NC Retail Jurisdictional Amount	Lead \ Lag Days	Weighted Amount	
	1	OPERATING REVENUES:						
	2							
	3							
Calc	4	Service Lag				15.21	A	
	5	Billing Lag						
1	6	Total Retail Sales & Billing Lag		(4,156,399,663)	(3,563,165,280)	1.66	A	
	7	Revenue - REPS		(24,719,022)				
	8	Unbilled Revenue	0440.99, 0442.19, 0442.29, 0444.99, 0445.09	13,507,473	12,096,317			
	9							
2	10	Collection Lag				25.01	A	
	11							
	12	Total Revenue Lag Elec Delivery Rate Schedule (Ln 11 + 17)		(4,167,611,212)	(3,575,787,985)	41.88	(149,748,041,162)	
	13							
3	14	Total Revenue Lag Sales for Resale		(1,511,238,381)	(134,915,331)	33.73	A (4,550,694,117)	
	15	Provisions For Rate Refunds	0449	118,958,671	104,545,765	41.88	B 4,378,202,395	
	16	Total Sales of Electricity (L12 through L14)		(5,560,010,922)	(3,606,157,551)	41.57	(149,920,532,884)	
	17							
	18	Other Revenues:						
	19	Forfeited Discounts	0450100, 0450200	(8,582,371)	(7,663,772)	72.30	A (554,090,707)	
4c	20	Miscellaneous Revenues	0451100	(6,165,627)	(5,505,700)	76.00	(418,433,189)	
	21	RENT - (454) - DIST PLT REL		(5,124,157)	(4,465,630)	41.63	(185,904,174)	
4d	22	RENT - (454) - DIST POLE RENTAL REV		(12,960,572)	(10,901,069)	182.00	(1,983,996,633)	
4d	23	RENT - (454) - TRANS PLT REL		(639,579)	(381,636)	41.63	(15,887,522)	
4d	24	RENT - (454) - ADD FAC - WHLS		(2,806,145)	0	0.00	-	
4d	25	RENT - (454) - ADD FAC - RET X LIGHTING		(5,162,072)	(4,617,085)	41.63	(192,209,244)	
4d	26	RENT - (454) - ADD FAC - LIGHTING		(4,184,534)	(3,848,777)	41.63	(166,224,580)	
4d	27	RENT - (454) - OTHER		(5,086,652)	(3,412,883)	68.21	(232,798,642)	
	28	OTHER ELEC REV (456) - PROD PLT REL		(1,924,556)	(1,184,137)	41.88	(49,589,686)	
	29	OTHER ELEC REV (456) - TRANS REL		(10,403,096)	(6,207,517)	41.88	(259,960,449)	
	30	OTHER ELEC REV (456) - GEN PLT REL		0	0	41.88	-	
	31	OTHER ELEC REV (456) - WH D/A		(55,825,581)	0	41.88	-	
	32	OTHER ELEC REV (456) - OTHER		(548,940)	(368,310)	41.88	(15,424,225)	
	33	OTHER ELEC REV (456) - REPS		(1,114,245)	(1,114,245)	41.88	(46,662,737)	
	34	OTHER ELEC REV (456) - OTHER ENERGY		0	0	41.88	-	
	35	OTHER ELEC REV (456) - DIST PLT REL	0456630	(1,611,605)	(1,404,491)	41.88	(58,817,730)	
	36	REV - OTHER NC RETAIL SPECIFIC		(270,645)	(270,645)	41.88	(11,334,162)	
	37	Total Other Revenues (L19 through L36)		(122,410,378)	(51,345,897)	81.51	(4,185,331,681)	
	38							
	39	Utility Oper Revenues (L16 + L37)		(5,682,421,300)	(3,657,503,448)	42.13	(154,105,864,564)	
	40	ELECTRIC OPERATING REVENUE		5,682,421,300	3,657,503,448			
	41							
	42	OPERATION AND MAINTENANCE EXPENSE:						
	43							
5 + 6	44	Fuel Used in Electric Generation		1,410,621,869	863,120,481	28.49	A 24,588,906,214	
	45	OM Prod Energy - Fuel		18,521,248	18,521,248	28.49	A 527,656,628	
	46	RECS Consumption Expense						
	47	Fuel Used in Elec Gen (HFM Greenbook 1/5)	F_FUEL_USED_ELEC_GEN	1,429,143,617	881,642,228	28.49	25,116,560,842	
	48							
7	49	OM PROD PURCHASES - CAPACITY COST		109,348,837	67,279,932	30.29	A 2,037,909,147	
7	50	OM PROD PURCHASES - ENERGY COST		597,919,200	365,384,360	30.29	A 11,067,492,256	
	51	OM DEFERRED FUEL EXPENSE	0557980	(316,590,958)	(273,901,174)	28.49	C (7,803,001,349)	
	52	Purchased Power (Acct 555) + Def Fuel (Acct 557)	0555XXX	390,677,079	158,763,118	33.40	5,302,400,054	
	53							
	54	Total Other O&M Excluding Fuel and Purchased Power						
9	55							
	56	Total Labor Expense		649,874,113	430,294,724	37.07	A 15,951,025,410	
8	57							
	58	Pension and Benefits	0926000	115,350,507	76,270,687	13.97	A 1,065,501,492	
	59							
	60	Regulatory Commission Expense	0928000	8,592,296	7,037,696	93.25	A 656,265,126	
11	61							
	62	Property Insurance	0924000	(774,442)	(525,984)	(222.30)	A 116,926,247	
15	63							
	64	Injuries & Damages - Workman's Compensation	0925980	290,241	197,125	0.00	A -	
	65							
	66	Uncollectible Accounts	0904000, 0904001	10,008,548	8,937,301	0.00	A -	
	67							
	68	Remaining Other Oper & Maint Expense		763,377,304	528,607,218	40.52	D 21,421,632,363	
	69							
	70	Total O&M Excl. Fuel and Purch. Power		1,546,718,656	1,050,818,766	37.32	39,211,350,637	
	71							
	72	Total Operation and Maintenance Expense (L47 + L52 + L70)		3,366,539,352	2,091,224,112	33.30	69,630,311,534	
	73							
	74	Total Depreciation & Amortization & Property Loss		1,060,260,424	669,787,484	0.00	A -	
	75							
	76	Taxes Other Than Income Taxes						
	77	Payroll Taxes		39,721,091	26,288,326	48.41	A 1,272,617,860	
9	78	Property Tax		101,157,752	68,137,745	186.50	12,706,756,958	
13	79	FED HEAVY VEHICLE USE TAX		61,024	48,458	0.00	-	
	80	ELECTRIC EXCISE TAX - SC		2,222,093	0	0.00	-	
	81	PRIVILEGE TAX		16,355,581	12,243,095	(11.97)	(146,555,834)	
13	82	MISC TAX - NC		(6,034,064)	(4,517,029)	60.00	(271,023,743)	
	83	MISC TAX - SC & OTHER STATES		(165)	949	129.46	A 122,893	
	84	PUC LICENSE TAX - SC		(121,100)	0	0.00	A -	
	85	Taxes Other Than Income Taxes		153,362,212	102,197,044	132.70	13,561,920,134	
16	86							
	87	Total Interest on Customer Deposits		8,642,928	7,970,989	137.50	A 1,096,011,021	
14	88							
	89	Federal Income Tax		(65,292,963)	(49,091,019)	44.75	A (2,196,873,118)	
	90	State Income Tax		(3,938,471)	(2,916,502)	44.75	(130,513,463)	
	91	Income Tax - Deferred		220,852,977	164,993,723	0.00	-	
	92	Net Income Taxes		150,621,543	112,986,202	(20.60)	(2,327,336,581)	
	93							
	94	Investment of Tax Credit Adj Net	04114XX	(3,355,660)	(2,133,914)	0.00	A -	
	95							
	96	Total Utility Operating Expenses (L72 + L74 + L85 + L87 + L92 + L94)		4,736,070,798	2,982,031,917	27.48	81,960,906,108	
	97							
	98	Interest Expense for Electric Operations		315,465,770	211,661,368	87.70	F 18,562,553,881	
	99	Income for Equity Return (L100 - L158)		630,884,732	463,810,163	0.00	A -	
	100	Net Operating Income		946,350,502	675,471,531	27.48	18,562,553,881	
	101							
	102	Total Requirements (L96 + L100)		5,682,421,300	3,657,503,448	27.48	100,523,459,988	
	103							
	104							
	105	Cash Working Capital Related to NC Sales Tax		4,759,823	G			

Tickmark Legend
A Lead/lag days was obtained from Lead/Lag study performed by Ernst & Young. See the Appendix in the Duke Lead Lag Report - DEP file.
B Revenue refund will be returned through another mechanism; number set to Revenue Lag Days to eliminate effect on Cash Working Capital.
C Lead/lag days for fuel is being used for this line item to facilitate elimination of this item with the adjustments to cash working capital being proposed in this rate case.
D Remaining O&M for 2018 includes both nuclear fees and other O&M lines from the 2017 lead/lag study. Lead/lag days reflected is the weighted average of the amounts for those line items from the 2017 study.
E This expense category is a new breakout for 2018. Lead/lag days was determined based on review of activity for 2018. A majority of the balance is related to a refund which was accrued in March and received in May. As such, a 60 day lag seems reasonable.
F See 2017 Interest Lead Days tab for calculation.
G Cash Working Capital Related to NC Sales Tax for 2018 was calculated on Schedule 17.

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For the test period ended December 31, 2018

NC-3400
Second Settlement

Detailed Narrative Explanation of Adjustment

This pro forma adjusts depreciation expense and income taxes for the amortization of deferred costs related to Asheville Combined Cycle. The Company is seeking a deferral of depreciation, property taxes, incremental O&M and return associated with the Asheville Combined Cycle from the date the plant is estimated to go into operation, December 2019, until rates are effective in September 2020.

The impact to operating income was determined as follows:

The impact to depreciation expense reflects an annual level of amortization of deferred costs related to Asheville Combined Cycle, including a return on investment. Deferred costs are being amortized over a three year period.

The impact to income taxes is determined by multiplying taxable income by the statutory tax rate.

The impact to rate base was determined as follows:

The impact to working capital is determined by including the regulatory asset balance in rate base and offsetting it with one year of amortization. In addition, the asset is offset by associated ADIT.

December Update

Updated NC-3403, NC-3404 and NC-3405 for actuals through December 2019.

Updated NC-3405 for the estimated amount to go in service through February 2020.

January Update

Updated NC-3403, NC-3404 and NC-3405 for actuals through January 2019.

Updated NC-3405 for the estimated amount to go in service through February 2020.

February Update

Updated NC-3403, NC-3404 and NC-3405 for actuals through February 2020; updated NC-3402 and NC-3403 to exclude O&M from Asheville CC deferral; NC-3406 updated to include the actual level of inventory on hand at Asheville CC when it became operational (01/31/2020)

Rebuttal

Updated NC-3406 after discussions with PS on O&M annualization methodology for new plant.

Updated NC-3403 to correct ADIT formula for March 2020.

Updated NC-3405 for Other Production Plant in service balance due to updated April forecast.

Liquidated damages were removed from the calculation as no settlement is expected near term.

Settlement

Adjusted NC-3401 to account for the Public Staff/Company settlement of the Asheville production displacement O&M and to remove Asheville deferral and associated ADIT from rate base (annuity factor method);

Added NC-3402-1 to account for the amortization calculated on the annuity factor method

Second Settlement

Reflect changes in ROE and debt rate

Smith Second Settlement Exhibit 1

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(Dollars in thousands)

NC-3400
Second Settlement

Line No.	Description	Source	Total NC Retail			
			Second Settlement	Partial Settlement	Application	Change
1						
2	Pro Formas Impacting Income Statement Line Items					
3						
4	Electric operating revenue		\$ -	\$ -	\$ -	\$ -
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense	NC-3401	(1,459)	(1,459)	6,109	(7,568)
11	Depreciation and amortization	NC-3401	8,897	8,970	13,594	(4,696)
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes	NC-3401	(1,723)	(1,740)	(4,565)	2,842
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	5,715	5,771	15,138	(9,423)
18						
19	Operating income	L4 - L17	\$ (5,715)	\$ (5,771)	\$ (15,138)	\$ 9,423
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	Pro Formas Impacting Rate Base Line Items					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	\$ -
29	Accumulated depreciation and amortization		-	-	-	-
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies	NC-3401	3,488	3,488	3,735	(248)
34	Working capital investment	NC-3401	-	-	27,188	(27,188)
35						
36						
37	Less:					
38	Accumulated deferred taxes	NC-3401	-	-	(6,299)	6,299
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ 3,488	\$ 3,488	\$ 24,624	\$ (21,136)
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

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NC-3401
Second Settlement

Line No.	<u>Description</u>	Total NC Retail
1	<u>Impact to Income Statement Line Items</u>	
2	Average Annual Combined Cycle O&M	\$ 2,613 [1]
3	Production displacement adjustment per Public Staff	(4,072)
4	Impact to O&M (L2)	<u>\$ (1,459)</u>
5		
6	Annual levelized amortization expense	<u>\$ 8,897 [2]</u>
7	Impact to depreciation and amortization (L6)	<u>\$ 8,897</u>
8		
9	Statutory tax rate	23.1693% [3]
10	Impact to income taxes $(-(L4+ L7) \times L9)$	<u>\$ (1,723)</u>
11		
12	Impact to operating income $(-L4 - L7 -L10)$	<u><u>\$ (5,715)</u></u>
13		
14		
15	<u>Impact to Rate Base Line Items</u>	
16	Estimated level of inventory at Asheville CC at operational date	<u>\$ 3,488 [1]</u>
17	Impact to materials and supplies (L16)	<u>\$ 3,488</u>
18		
19	Regulatory asset at Sep 1, 2020 (L6)	\$ -
20	Less first year of amortization (-L7)	-
21	Impact to working capital investment (Sum L19 through L20)	<u>\$ -</u>
22		
23	Deferred tax rate	23.1693% [3]
24	Impact to accumulated deferred income tax $(-L21 \times L23)$	<u>\$ -</u>
25		
26	Impact to rate base $(L17 + L21 + L24)$	<u><u>\$ 3,488</u></u>

[1] NC-3406 Asheville Combined Cycle - Average O&M and Inventory Balances

[2] NC-3402-1 Asheville Combined Cycle Amortization Expense

[3] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10

Smith Second Settlement Exhibit 1

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 (Dollars in thousands)

NC-3402
 Second Settlement

Expected Balance of Deferred Costs at September 1, 2020 - Asheville Combined Cycle - NC Retail

Line No.	Description	Other		Total
		Production [1]	Transmission [2]	NC Retail
1	Deferred Cost of Capital	\$ 16,335	\$ 475	\$ 16,809 [1]
2	Deferred Depreciation	11,062	94	11,156 [1]
3	Deferred O&M Expense	1,770	-	1,770 [1]
4	Deferred Property Tax Expense	1,040	20	1,060 [1]
5	After-Tax Return on Deferred Expenses	668	16	684 [1]
6	Total expected deferral balance in Regulatory Asset (Sum L1 through L5)	<u>\$ 30,874</u>	<u>\$ 605</u>	<u>\$ 31,479</u>

[1] NC-3403 - Asheville Combined Cycle Deferral Calculation -Defer From In Service Date to Rates Effective Date - Other
 Production - NC Retail, Line 13

[2] NC-3404 - Asheville Combined Cycle Deferral Calculation -Defer From In Service Date to Rates Effective Date - Transmission -
 NC Retail, Line 13

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For the test period ended December 31, 2018

NC-3402-1
Settlement

Asheville Combined Cycle Amortization Expense

Line No.	Item	Amount
<u>Annuity Factor</u>		
1	Amortization period recommended by Public Staff in years	4
2	Payment per period	1
3	After tax rate of return (L18)	6.48%
4	Present value of 1 dollar over number of years with 1 payment per year	3.4270
5	1 plus (interest rate divided by two)	<u>1.0324</u>
6	Annuity factor (L4 x L5)	<u>3.5380</u>
7	Deferred costs	\$ 31,479 1/
8	Annuity factor (L6)	<u>3.5380</u>
9	Annual levelized amortization expense (L7 / L8)	<u><u>\$8,897</u></u>

	Capital Structure 2/	Cost Rates 2/	Overall Rate of Return	Net of Tax Rate
	(a)	(b)	(c)	(d)
<u>After Tax Rate of Return</u>				
12	Long-term debt	48.00%	4.04%	1.94%
13	Common equity	52.00%	9.60%	4.99%
14	Total	<u>100.00%</u>	<u>6.93%</u>	<u>6.48%</u>

1 NC-3402 - Expected Balance of Deferred Costs at 9/1/2020 - Asheville CC - NC Retail

2 Smith Settlement Exhibit 1 - Page 2

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
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 Amortize deferred cost balance related to Asheville Combined Cycle
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 (Dollars in thousands)

NC-3403
 Second Settlement

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Asheville Combined Cycle Deferral Calculation -Defer From In Service Date to Rates Effective Date - Other Production - NC Retail.

Line No.	Description	Plant Bal [1]	ADIT Bal [2]	Average Inventory Bal [3]	Accumulated Depreciation	Remove CWIP in Rate Base [4]	Rate Base	Deferred Cost of Capital			Deferred Depreciation			Deferred O&M Expense [5]				
								2019	2020	Total	2019	2020	Total	2019	2020	Total		
1																		
2	Plant in Service Dec 2019 costs (U1 12/27/19)	302,260	(28,013)	3,488	-	(102,930)	174,805	162		162						28		28
3	Jan 2020 costs	347,271	(32,184)	3,488	(1,035)	(102,930)	214,610		1,546	1,546		-	1,035	1,035			218	218
4	Feb 2020 costs	347,271	(32,184)	3,488	(2,223)	(102,930)	213,421		1,537	1,537		1,189	1,189	1,189		218	218	218
5	Mar 2020 costs	347,271	(32,184)	3,488	(3,412)	(102,930)	212,233		1,529	1,529		1,189	1,189	1,189		218	218	218
6	Apr 2020 costs	471,960	(43,740)	3,488	(4,600)	(102,930)	324,177		2,335	2,335		1,189	1,189	1,189		218	218	218
7	May 2020 costs	471,960	(43,740)	3,488	(6,216)	(102,930)	322,561		2,324	2,324		1,615	1,615	1,615		218	218	218
8	Jun 2020 costs	471,960	(43,740)	3,488	(7,831)	(102,930)	320,946		2,312	2,312		1,615	1,615	1,615		218	218	218
9	Jul 2020 costs	471,960	(43,740)	3,488	(9,446)	(102,930)	319,331		2,300	2,300		1,615	1,615	1,615		218	218	218
10	Aug 2020 costs	471,960	(43,740)	3,488	(11,062)	(102,930)	317,715		2,289	2,289		1,615	1,615	1,615		218	218	218
11																		
12	Total Costs Through Aug 31,2020							162	16,172	16,335		-	11,062	11,062		28	1,742	1,770
13																		
14																		
15	Cost of Capital [8]:							After-Tax Equity	Tax Rate	Pre-Tax Equity								
16	Assumed Capital Structure:																	
17	Long-Term Debt							48.00%										
18	Common Equity							52.00%										
19																		
20	Cost Rates:																	
21	Long-Term Debt							4.05%		4.0500%								
22	Common Equity							9.90%	23.1693%	12.8855%								
23								<u>13.95%</u>		<u>16.9355%</u>								
24	Cost Components:																	
25	Long-Term Debt							1.9440%		1.9440%		22.4884%						
26	Common Equity							5.1480%	23.1693%	6.7004%		77.5116%						
27	Rate							<u>7.0920%</u>		<u>8.6444%</u>		100.0000%						
28																		
29	Depreciation Rates:																	
30	Book depreciation rate - Other Production - Asheville CC							4.11%	[10]									
31	Average Property Tax Rate							0.3626%	[9]									
32	Deferred tax rate									23.1693%	[7]							

Smith Second Settlement Exhibit 1

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NC-3403
 Second Settlement

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Asheville Combined Cycle Deferral Calculation -Defer From In Service Date to Rates Effective Date - Other Production - NC Retail.

Line No.	Description	Deferred Property Tax Expense [6]			After-Tax Return on Deferred Expenses			Deferred Total		
		2019	2020	Total	2019	2020	Total	2019	2020	Total
1										
2	Plant in Service Dec 2019 costs (U1 12/27/	12		12	0		0	202		202
3	Jan 2020 costs		105	105		10	10		2,913	2,913
4	Feb 2020 costs		105	105		27	27		3,076	3,076
5	Mar 2020 costs		105	105		46	46		3,086	3,086
6	Apr 2020 costs		143	143		66	66		3,951	3,951
7	May 2020 costs		143	143		91	91		4,390	4,390
8	Jun 2020 costs		143	143		117	117		4,404	4,404
9	Jul 2020 costs		143	143		143	143		4,419	4,419
10	Aug 2020 costs		143	143		169	169		4,433	4,433
11										
12	Total Costs Through Aug 31,2020	12	1,028	1,040	0	668	668	202	30,672	30,874
13										
14										
15	Cost of Capital [8]:									
16	Assumed Capital Structure:									
17	Long-Term Debt									
18	Common Equity									
19										
20	Cost Rates:									
21	Long-Term Debt									
22	Common Equity									
23										
24	Cost Components:									
25	Long-Term Debt									
26	Common Equity									
27	Rate									
28										
29	Depreciation Rates:									
30	Book depreciation rate - Other Production - Asheville CC									
31	Average Property Tax Rate									
32	Deferred tax rate									

[1] NC-3405 - Asheville Combined Cycle - Plant in Service - Costs by Month
 [2] Other Production additions that qualify for bonus depreciation multiplied by 40% and then the deferred tax rate on Line 32
 [3] NC-3406 - Asheville Combined Cycle - Average O&M and Inventory Balances, Line 13
 [4] NC-1011 - Adjust for Asheville base load CWIP - Docket No. E-2, Sub 1142
 [5] O&M during the deferral period was removed from the calculation for February supplemental filing.
 [6] Plant Balance column divided by 12 months multiplied by Line 31.
 [7] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10
 [8] Cost of capital rates from Docket No. E-2, Sub 1142
 [9] NC-0901 - Annualize property taxes on year end plant balances - Average property tax rate-Combined NC and SC
 [10] Asheville CC composite depreciation rate provided by Asset Accounting
 [11] Adjusted to reflect a rates effective date of Sep 1, 2020

Smith Second Settlement Exhibit 1

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 (Dollars in thousands)

NC-3404
 Second Settlement
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Asheville Combined Cycle Deferral Calculation -Defer From In Service Date to Rates Effective Date - Transmission - NC Retail

Line No.	Description	Plant Bal [1]	ADIT Bal [2]	Average Inventory Bal [3]	Accumulated Depreciation	Remove CWIP in Rate Base	Rate Base	Deferred Cost of Capital			Deferred Depreciation			Deferred O&M Expense [4]				
								2019	2020	Total	2019	2020	Total	2019	2020	Total		
1																		
2	Plant in Service Dec 2019 costs	7,422	(67)	-	-	-	7,354	53		53								
3	Jan 2020 costs	7,431	(67)	-	(12)	-	7,351		53	53		12	12					
4	Feb 2020 costs	7,436	(67)	-	(24)	-	7,345		53	53		12	12					
5	Mar 2020 costs	7,436	(67)	-	(35)	-	7,333		53	53		12	12					
6	Apr 2020 costs	7,436	(67)	-	(47)	-	7,322		53	53		12	12					
7	May 2020 costs	7,436	(67)	-	(59)	-	7,310		53	53		12	12					
8	Jun 2020 costs	7,436	(67)	-	(71)	-	7,298		53	53		12	12					
9	Jul 2020 costs	7,436	(67)	-	(82)	-	7,286		52	52		12	12					
10	Aug 2020 costs	7,436	(67)	-	(94)	-	7,275		52	52		12	12					
11																		
12	Total Costs Through Aug 31,2020							53	422	475		-	94	94				
13																		
14																		
15	<u>Cost of Capital [7]:</u>							<u>After-Tax Equity</u>	<u>Tax Rate</u>	<u>Pre-Tax Equity</u>								
16	Assumed Capital Structure:																	
17	Long-Term Debt							48.00%										
18	Common Equity							52.00%										
19																		
20	Cost Rates:																	
21	Long-Term Debt							4.05%		4.0500%								
22	Common Equity							9.90%	23.1693%	12.8855%								
23								<u>13.95%</u>		<u>16.9355%</u>								
24	Cost Components:																	
25	Long-Term Debt							1.9440%		1.9440%		22.4884%						
26	Common Equity							5.1480%	23.1693%	6.7004%		77.5116%						
27	Rate							<u>7.0920%</u>		<u>8.6444%</u>		<u>100.0000%</u>						
28																		
29	<u>Depreciation Rates:</u>																	
30	Book depreciation rate - Transmission							1.90%	[9]									
31	Average Property Tax Rate							0.3626%	[8]									
32	Deferred tax rate								23.1693%	[6]								

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Amortize deferred cost balance related to Asheville Combined Cycle
 For the test period ended December 31, 2018
 (Dollars in thousands)

NC-3404
 Second Settlement
 Page 2 of 2

Asheville Combined Cycle Deferral Calculation -Defer From In Service Date to Rates Effective Date - Transmission - NC Retail

Line No.	Description	Deferred Property Tax Expense [5]			After-Tax Return on Deferred Expenses			Deferred Total		
		2019	2020	Total	2019	2020	Total	2019	2020	Total
1										
2	Plant in Service Dec 2019 costs	2		2	0		0	55		55
3	Jan 2020 costs		2	2		1	1		67	67
4	Feb 2020 costs		2	2		1	1		68	68
5	Mar 2020 costs		2	2		1	1		68	68
6	Apr 2020 costs		2	2		2	2		68	68
7	May 2020 costs		2	2		2	2		69	69
8	Jun 2020 costs		2	2		3	3		69	69
9	Jul 2020 costs		2	2		3	3		69	69
10	Aug 2020 costs		2	2		3	3		70	70
11										
12	Total Costs Through Aug 31,2020	2	18	20	0	15	16	55	549	605
13										
14										
15	<u>Cost of Capital [7]:</u>									
16	Assumed Capital Structure:									
17	Long-Term Debt									
18	Common Equity									
19										
20	Cost Rates:									
21	Long-Term Debt									
22	Common Equity									
23										
24	Cost Components:									
25	Long-Term Debt									
26	Common Equity									
27	Rate									
28										
29	Depreciation Rates:									
30	Book depreciation rate - Transmission									
31	Average Property Tax Rate									
32	Deferred tax rate									

- [1] NC-3405 - Asheville Combined Cycle - Plant in Service - Costs by Month
- [2] Transmission additions that qualify for bonus depreciation multiplied by 40% and then the deferred tax rate on Line 32
- [3] Not estimating incremental inventory for the transmission additions.
- [4] Not estimating incremental O&M for the transmission additions.
- [5] Plant Balance column divided by 12 months multiplied by Line 31.
- [6] NC-0104 - 2019 Calculation of Tax Rates - Statutory Tax Rate, Line 10
- [7] Cost of capital rates from Docket No. E-2, Sub 1142
- [8] NC-0901 - Annualize property taxes on year end plant balances - Average property tax rate-Combined NC and SC
- [9] NC-0802 - Adjustment of Depreciation Expense to Reflect Plant in Service for 12 Months Ended December 31, 2018, Transmission Other depr rate
- [10] Adjusted to reflect a rates effective date of Sep 1, 2020

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Amortize deferred cost balance related to Asheville Combined Cycle
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3405
Second Settlement

Asheville Combined Cycle - Plant in Service - Costs by Month

Line No.	Year	Month	System Other Production	System Transmission	NC Retail Allocation	NC Retail Allocation	NC Retail Other Production	NC Retail Transmission
1								
2	2019	12	491,258 [1]	12,438 [1]	61.5278% [2]	59.6699% [3]	302,260	7,422
3	2020	1	564,413 [1]	12,453 [1]	61.5278% [2]	59.6699% [3]	347,271	7,431
4	2020	2	564,413 [1]	12,462 [1]	61.5278% [2]	59.6699% [3]	347,271	7,436
5	2020	3	564,413 [1]	12,462 [4]	61.5278% [2]	59.6699% [3]	347,271	7,436
6	2020	4	767,067 [4][5]	12,462 [4]	61.5278% [2]	59.6699% [3]	471,960	7,436
7	2020	5	767,067 [4]	12,462 [4]	61.5278% [2]	59.6699% [3]	471,960	7,436
8	2020	6	767,067 [4]	12,462 [4]	61.5278% [2]	59.6699% [3]	471,960	7,436
9	2020	7	767,067 [4]	12,462 [4]	61.5278% [2]	59.6699% [3]	471,960	7,436
10	2020	8	767,067 [4]	12,462 [4]	61.5278% [2]	59.6699% [3]	471,960	7,436
11	Total Project Cost		<u>\$ 767,067</u>	<u>\$ 12,462</u>			<u>\$ 471,960</u>	<u>\$ 7,436</u>

[1] Estimated amounts provided by Asheville Combined Cycle Project Management

[2] NC Retail Allocation Factor - DPALL

[3] NC Retail Allocation Factor - DTALL

[4] Forecasted amount updated as of rebuttal is based on actual amounts in service through March 31, 2020 and the expected plant impacts of \$202,654 estimated to close to plant in service in April 2020 after Unit 8 was placed in operation on April 5, 2020. The amounts no longer include the offset of liquidated damages due to lack of settlement or recovery of those dollars.

[5] Adjusted the Asheville CC project costs to exclude approximately \$208,000 of Task Force consulting expenses noted in PS DR 125-5 from rate base

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Amortize deferred cost balance related to Asheville Combined Cycle
 For the test period ended December 31, 2018

NC-3406
 Second Settlement

Asheville Combined Cycle - Average O&M and Inventory Balances

Line No.	Account	2017 HF Lee CC	2018 HF Lee CC	2019 HF Lee CC	2017 Sutton CC	2018 Sutton CC	2019 Sutton CC	2019 WS Lee CC	Total	Asheville CC Estimated O&M [1]	NC Retail Allocation	Total NC Retail
1	0546000 - Suprvsn and Enginring - Ct Oper	\$ 92,198	\$ 100,617	\$ 100,007	\$ 232,804	\$ 179,490	\$ 110,939	\$ 457,215	\$ 1,273,270	\$ 141,527	61.5278% [2]	\$ 87,078
2	0548100 - Generation Expenses - Other Ct	119,879	116,758	132,531	148,997	153,474	173,147	61,930	906,716	100,783	61.5278% [2]	62,010
3	0548200 - Prime Movers - Generators - Ct	65,911	99,916	10,918	502	11,945	(5,327)	103,633	287,498	31,956	61.5278% [2]	19,662
4	0549000 - Misc - Power Generation Expense	1,381,785	1,743,750	1,317,717	1,315,850	1,015,091	886,985	1,937,135	9,598,313	1,066,872	61.5278% [2]	656,423
5	0551000 - Suprvsn and Enginring - Ct Maint	177,498	184,128	116,985	230,797	165,793	132,238	180,865	1,188,304	132,082	61.1093% [3]	80,715
6	0552000 - Maintenance of Structures - Ct	1,547,782	906,408	1,376,132	935,485	1,046,433	1,044,128	1,586,405	8,442,773	938,431	61.1093% [3]	573,469
7	0553000 - Maint - Gentg and Elect Equip - Ct	1,388,188	1,451,269	1,728,401	1,075,199	888,315	1,130,820	2,184,052	9,846,244	1,094,430	61.1093% [3]	668,799
8	0554000 - Misc Power Generation Plant - Ct	713,674	917,999	566,782	861,489	845,555	1,080,399	1,850,331	6,836,229	759,861	61.1093% [3]	464,346
9	0570100 - Maint Stat Equip - Other Trans	-	1,136	-	-	-	-	5,860	6,996	778	59.6699% [4]	464
10	Total O&M	\$ 5,486,914	\$ 5,521,982	\$ 5,349,473	\$ 4,801,124	\$ 4,306,096	\$ 4,553,328	\$ 8,367,427	\$ 38,386,344	\$ 4,266,720		\$ 2,612,965
11												
12	MW Capacity (Per Duke Energy website)	920	920	920	625	625	625	750		588		
13												
14	Dollars per MW Capacity	\$5,964	\$6,002	\$5,815	\$7,682	\$6,890	\$7,285	\$11,157		\$4,266,720		
15	Average per MW capacity							\$7,256				
16												
17												
18	Actual level of inventory for Asheville CC at the time the plant becomes operational (01/31/2020)									\$5,135,089 [5]	67.9178% [6]	\$ 3,487,639

- [1] Direct Operation and Maintenance expenses, excluding outage costs, provided by Regulated Utility Finance
- [2] NC Retail Allocation Factor - DPALL
- [3] NC Retail Allocation Factor - E1ALL
- [4] NC Retail Allocation Factor - DTALL
- [5] Estimated Inventory level provided by Supply Chain/Asset Accounting
- [6] NC Retail Allocation Factor - PTDG
- [7] Per www.duke-energy.com

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Settlement adjustment to remove certain items
For the test period ended December 31, 2018

NC-3800
Narrative
Second Settlement

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

Supplemental Rebuttal Update

Adjustment to remove certain expenses agreed to in the partial settlement and stipulation.

Second Settlement

Adjustment to reduce decommissioning expenses to settlement

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(Dollars in thousands)

NC-3800
Second Settlement

Line No.	Description	Source	Total NC Retail			Change
			Second Settlement	Partial Settlement	Application	
1						
2	<u>Pro Formas Impacting Income Statement Line Items</u>					
3						
4	Electric operating revenue					
5						
6	Electric operating expenses:					
7	Operation and maintenance					
8	Fuel used in electric generation		-	-	-	-
9	Purchased power		-	-	-	-
10	Other operation and maintenance expense		(2,834)	(2,834)	-	(2,834)
11	Depreciation and amortization		\$ (8,700)	-	-	(8,700)
12	General taxes		-	-	-	-
13	Interest on customer deposits		-	-	-	-
14	Income taxes		2,672	657	-	2,672
15	Amortization of investment tax credit		-	-	-	-
16						
17	Total electric operating expenses	Sum L8 through L15	(8,861)	(2,177)	-	(8,861)
18						
19	Operating income	L4 - L17	\$ 8,861	\$ 2,177	\$ -	\$ 8,861
20						
21	Notes:					
22	Revenue: positive number increases revenue / negative number decreases revenue					
23	Expense: positive number increases expense / negative number decreases expense					
24						
25						
26	<u>Pro Formas Impacting Rate Base Line Items</u>					
27						
28	Electric plant in service		\$ -	\$ -	\$ -	-
29	Accumulated depreciation and amortization		-	-	-	-
30	Electric plant in service, net	Sum L28 through L29	-	-	-	-
31						
32	Add:					
33	Materials and supplies		-	-	-	-
34	Working capital investment		-	-	-	-
35						
36						
37	Less:					
38	Accumulated deferred taxes		-	-	-	-
39	Operating reserves		-	-	-	-
40						
41						
42	Construction work in progress		-	-	-	-
43						
44	Total impact to rate base	Sum L30 through L42	\$ -	\$ -	\$ -	-
45						
46	Note:					
47	Rate Base: positive number increases rate base / negative number decreases rate base					

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Settlement adjustment to remove certain items
 For the test period ended December 31, 2018
 (Dollars in thousands)

NC-3801
 Second Settlement

Line No.	Description	Total Carolinas	NC Retail Allocation	Total NC Retail
1	<u>Impact to Income Statement Line Items:</u>			
2	Remove O&M related to Sponsorships	\$ (38) [1]	61.528% [6]	\$ (23)
3	Remove O&M related to Outside Services	(52) [2]	61.528% [6]	(32)
4	Remove O&M related to Lobbying	(2,429) [3]	61.528% [6]	(1,494)
5	Remove O&M related to BOD	(2,086) [4]	61.528% [6]	(1,283)
6	Impact to other operation and maintenance expense (Sum L2 through L5)	<u>\$ (4,606)</u>		<u>\$ (2,834)</u>
7				
8	Adjust nuclear decommissioning expense			\$ (8,700)
9	Impact to Depreciation and amortization expense (L8)			
10				
8	Taxable income (-L6)			\$ 11,534
9	Statutory tax rate			23.1693% [5]
10	Impact to income taxes (L8 x L9)			<u>\$ 2,672</u>
11				
12	Impact to operating income (L8 - L10)			<u>\$ 8,861</u>

- [1] NC-3802 - Settlement adjustment to remove certain Sponsorships cost
- [2] NC-3805 - Settlement adjustment to remove certain Outside Services
- [3] NC-3803 - Settlement adjustment to remove amounts defined by Public Staff as Lobbying
- [4] NC-3804 - Settlement adjustment to remove certain BOD expenses
- [5] NC-0104 - 2018 Calculation of Tax Rates - Statutory Tax Rate, Line 10
- [6] DPALL

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Settlement adjustment to remove certain items
 For the test period ended December 31, 2018
 (in Thousands)

NC-3802
 Second Settlement

Settlement adjustment to remove certain Sponsorships cost

Line No	Item	Amount
1	Remove sponsorships and donations related to chambers of commerce	\$ (37)
2	NC retail percentage	61.528% [1]
3	NC Retail Adjustment to Other O&M	\$ (23)
4		
5	Taxable income (-L3)	\$ 23
6	Statutory tax rate	23.1693%
7	Impact to income taxes (L13 x L14)	\$ 5

[1] DPALL

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

NC-3803
Second Settlement

Settlement adjustment to remove amounts defined by Public Staff as Lobbying

Line No.	Item	Amount
1	Remove Stakeholder Engagement O&M charges related to lobbying	(\$1,343) [1]
2	Remove State Government Affairs O&M charges related to lobbying	(94) [1]
3	Remove Federal Affairs O&M charges related to lobbying	<u>(992) [1]</u>
4	Total lobbying costs to be removed from O&M expense (L1 + L2 + L3)	(2,429)
5		
6	NC retail percentage	<u>61.528% [2]</u>
7	Public Staff adjustment to remove lobbying expense (L4 x L5)	<u>(\$1,494)</u>
8		
9	Taxable income (-L3)	\$ 1,494
10	Statutory tax rate	<u>23.1693%</u>
11	Impact to income taxes (L13 x L14)	<u>\$ 346</u>

1/ Based on Company response to Public Staff Data Request No. 31, Items 3 and 4.

2/ DPALL

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

NC-3804
Second Settlement

Settlement adjustment to remove certain BOD expenses

Line No.	Item	Amount
1	Total Board of Directors (BOD) cash compensation	\$ 421 1/
2	Percentage of exclusion per Settlement	50% 2/
3	Adjustment to BOD compensation (-L1 x L2)	<u>\$ (210)</u>
4	BOD insurance charged to DEP	\$ 3,514 3/
5	Percentage of exclusion per Settlement	50% 2/
6	Adjustment to BOD insurance (-L4 x L5)	<u>\$ (1,757)</u>
7	BOD and executive members expenses allocated to DEP	\$ 237 4/
8	Percentage of exclusion per Settlement	50% 2/
9	Adjustment to BOD and executive members expenses (-L7 x L8)	<u>\$ (119)</u>
10	Total adjustment to BOD compensation and expenses (L3 + L6 + L9)	\$ (2,086)
11	NC retail percentage	61.5278% 5/
12	Adjustment to BOD expenses - NC retail (L10 x L11)	<u>\$ (1,283)</u>
13	Taxable income (-L12)	\$ 1,283
14	Statutory tax rate	23.1693%
15	Impact to income taxes (L13 x L14)	<u>\$ 297</u>

1/ Amount from 2018 Proxy Statement page 30, allocated to DEP.

2/ Recommended by Public Staff.

3/ Company Response to Public Staff Data Request No. 71, Item 1.

4/ Company Response to Public Staff Data Request No. 72, Item 2.

5/ DPALL

Duke Energy Progress, LLC
 Docket No. E-2, Sub 1219
 Settlement adjustment to remove certain items
 For the test period ended December 31, 2018
 (in Thousands)

NC-3805
 Second Settlement

Settlement adjustment to remove certain Outside Services

Line No	Item	Amount
1	Remove outside services costs agreed upon	\$ (52)
2	NC retail percentage	61.5278%
3	NC Retail Adjustment to Other O&M	\$ (32)
4		
5	Taxable income (-L3)	\$ 32
6	Statutory tax rate	23.1693%
7	Impact to income taxes (L13 x L14)	\$ 7

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Settlement adjustment to remove certain items
For the test period ended December 31, 2018
(in Thousands)

NC-3806
Second Settlement

Settlement adjustment to adjust nuclear decommissioning expense

Line No	Item	Annual Expense
1	Base rates	\$ 16,537 [1]
2	Joint Agency Asset Rider	3,054
3	Total Nuclear Decommissioning Expense	\$ 19,590 [2]
4		
5	Proposed % exclusion	25%
6	Reduction to expense (L1 x -L5)	\$ (4,134)
7		
8	NC Retail Adjustment	\$ (8,700)
9		
10	Taxable income (-L6)	\$ 8,700
11	Statutory tax rate	23.1693%
12	Impact to income taxes (L8 x L9)	2,016
13		
14	Impact to operating income (-L6 - L10)	\$ 6,684

[1] Direct Testimony of Shana Angers, pg 6

[2] Annual NC Retail amount of nuclear decommissioning expense as approved in Docket No. E-2, Sub 1142

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust Rate Base for EDIT
For the test period ended December 31, 2018

NC-4000
Narrative
Second Settlement

E-1 Item 10 Adjustments Requirement

Provide the detail work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

Detailed Narrative Explanation of Adjustment

Supplemental Rebuttal

As agreed with in settlement, this pro forma reflects an adjustment to rate base based on Public Staff levelized EDIT rider methodology.

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust Rate Base for EDIT
For the test period ended December 31, 2018
(Dollars in thousands)

NC-4000
Second Settlement

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>NC Retail Second Settlement</u>
1			
2	<u>Pro Formas Impacting Income Statement Line Items</u>		
3			
4	Electric operating revenue		\$ -
5			
6	Electric operating expenses:		
7	Operation and maintenance		
8	Fuel used in electric generation		-
9	Purchased power		-
10	Other operation and maintenance expense		-
11	Depreciation and amortization		-
12	General taxes		-
13	Interest on customer deposits		-
14	EDIT Amortization		-
15	Income taxes		-
16	Amortization of investment tax credit		-
17			
18	Total electric operating expenses	Sum L8 through L15	-
19			
20	Operating income	L4 - L17	\$ -
21			
22	Notes:		
23	Revenue: positive number increases revenue / negative number decreases revenue		
24	Expense: positive number increases expense / negative number decreases expense		
25			
26			
27	<u>Pro Formas Impacting Rate Base Line Items</u>		
28			
29	Electric plant in service		\$ -
30	Accumulated depreciation and amortization		-
31	Electric plant in service, net	Sum L28 through L29	-
32			
33	Add:		
34	Materials and supplies		-
35	Working capital investment		-
36			
37			
38	Less:		
39	Accumulated deferred taxes		538,063
40	Operating reserves		-
41			
42			
43	Construction work in progress		-
44			
45	Total impact to rate base	Sum L30 through L42	\$ 538,063
46			
47	Note:		
48	Rate Base: positive number increases rate base / negative number decreases rate base		

Smith Second Settlement Exhibit 1

Duke Energy Progress, LLC
Docket No. E-2, Sub 1219
Adjust Rate Base for EDIT
For the test period ended December 31, 2018

NC-4001
Page 1 of 1
Second Settlement

<u>No.</u>	<u>Description</u>	<u>Amount</u>
1	<u>Impact to Rate Base</u>	
2	Adjust Rate Base for EDIT per Public Staff	538,063 [1]

[1] Per Dorgan Supplemental Exhibit 1, Schedule 2-1, Page 1 Line 16, column (b).

DUKE ENERGY PROGRESS, LLC
SUMMARY OF PROPOSED REVENUE ADJUSTMENTS
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 2
Second Settlement

Line No.	Description	NC RETAIL	Reference
1	Additional base revenue requirement	\$ 408,933	Smith Second Settlement Exhibit 1
2	REVISED Annual EDIT Rider 1	7,381	Smith Exhibit 3
3	Annual EDIT Rider 2 - Year 1 giveback	(152,348)	Smith Second Settlement Exhibit 4
4	Regulatory Asset and Liability Rider	<u>(2,091)</u>	Smith Exhibit 5
5	Subtotal	(147,058)	Sum L3 - L17
6	Net Revenue Increase	<u>\$ 261,875</u>	

DUKE ENERGY PROGRESS, LLC
Reconciliation of Revenue Requirement
DOCKET NO. E-2, SUB 1219 FOR THE TEST PERIOD ENDED DECEMBER 31, 2018
(Thousands of Dollars)

Smith Exhibit 3
Second Settlement

Line No.	Item	Amount
1	Revenue requirement increase per Company application	585,961
2	Revenue impact of Company adjustments through Settlement	(173,156)
3	Revenue impact of supplemental updates through May	25,406
4	Revenue impact of Second Supplemental 9.75 and 52/48	(48,774)
5	Revenue requirement increase per Company Second Supplemental Filing	<u>\$ 389,438</u>
6		
7	Updated Proformas:	
8	Ex 1 Adjust ROE from 9.75% to 9.6%	(10,508)
9	Ex 1 Adjust D/E Ratio from 52/48	-
10	Ex 1 Adjust Debt rate from 4.11% to 4.04%	(4,043)
11	NC0400 Annualize revenues for customer growth	(910)
12	NC1100 Amortize deferred environmental costs	(2,816)
13	NC0700 Adjust O&M for executive compensation	(26)
14	NC2200 Adjust synchronized interest expense	(2,243)
15	NC2300 Adjust cash working capital under present rates	(125)
16	NC2300 Adjust cash working capital under proposed rates	3,395
17	NC3400 Amortize deferred balance Asheville Combined Cycle	(73)
18	NC3800 Remove certain Settlement Items	(8,732)
19	NC4000 Adjust Rate Base for EDIT	45,575
20	Total Revenue impact of adjustments	<u>\$ 19,495</u>
21		
22	Revenue Requirement per Smith Exhibit 1 Second Settlement	<u><u>\$ 408,933</u></u>

Duke Energy Progress, LLC
DOCKET E-2 Sub 1219
North Carolina Retail Operations
Smith Second Settlement Exhibit 4
CALCULATION OF LEVELIZED FEDERAL PROVISIONAL EDIT RIDER CREDIT
For the Test Year Ended December 31, 2018
(in Thousands)

Line No.	Item	Year 1 Revenue Requirement (a)	Year 2 Revenue Requirement (b)	Year 3 Revenue Requirement (b)	Year 4 Revenue Requirement (b)	Year 5 Revenue Requirement (b)	Total Revenue Requirement (c)
1	Annual EDIT used to offset interim rates	(211,591) ^{5/}					
2	Monthly EDIT used to offset interim rates	(17,633)					
3	Estimated number of months of interim rates to compliance rates per NCUC Order	4.0 ^{5/}					
4	EDIT used to offset interim rates	(70,530)					
5	Return component	(11,629)					
6	Amortization component	(58,901)					
7	Preliminary NC retail Unprotected Federal EDIT regulatory liability	(403,750) ^{1/}					
8	Reduction for amount flowed back during Interim Rate period (L6)	(58,901)					
9	Total NC retail Unprotected Federal EDIT regulatory liability to be amortized (L7 - L8)	(344,849)	(344,849) ^{1/}	(344,849) ^{1/}	(344,849) ^{1/}	(344,849) ^{1/}	
10	Annuity factor	4.2922 ^{2/}	4.2922 ^{2/}	4.2922 ^{2/}	4.2922 ^{2/}	4.2922 ^{2/}	
11	Levelized rider EDIT regulatory liability (L9 / L10)	(80,343)	(80,343)	(80,343)	(80,343)	(80,343)	(\$401,715)
12	One minus composite income tax rate	76.8307% ^{3/}	76.8307% ^{3/}	76.8307% ^{3/}	76.8307% ^{3/}	76.8307% ^{3/}	76.8307%
13	Net operating income effect (L11 x L12)	(61,728)	(61,728)	(61,728)	(61,728)	(61,728)	(308,640)
14	Retention factor	0.765471 ^{4/}	0.765471 ^{4/}	0.765471 ^{4/}	0.765471 ^{4/}	0.765471 ^{4/}	0.765471
15	Levelized rider EDIT credit (L13 / L14)	<u>(\$80,641)</u>	<u>(\$80,641)</u>	<u>(\$80,641)</u>	<u>(\$80,641)</u>	<u>(\$80,641)</u>	<u>(\$403,205)</u>
16	Total NC retail NC State EDIT and Deferred Revenue regulatory liability to be amortized	\$ (134,312) ^{1/}	(\$134,312) ^{1/}				
17	Annuity factor	1.8800 ^{2/}	1.8800 ^{2/}				
18	Levelized rider EDIT regulatory liability (L16 / L17)	(71,443)	(71,443)				(\$142,886)
19	One minus composite income tax rate	76.8307% ^{3/}	76.8307% ^{3/}				76.8307%
20	Net operating income effect (L18 x L19)	(54,890)	(54,890)				(\$109,780)
21	Retention factor	0.765471 ^{4/}	0.765471 ^{4/}				0.765471
22	Levelized rider EDIT credit (L20 / L21)	<u>(\$71,707)</u>	<u>(\$71,707)</u>				<u>(\$143,415)</u>

1/ Dorgan Supplemental Exhibit 1, Sch 2-1(b), Federal EDIT amounts from Line 2, NC EDIT and Deferred Revenue balances are from Lines 3 + 4.

2/ Calculation of Levelized Factors, Line 6.

3/ One minus composite income tax rate of 23.1693%.

4/ Maness Stipulation Exhibit 1, Schedule 1-2, Line 14, Column (d).

5/ Will be trued up with actual months of interim rates and approved offset amount if different in compliance filing

**Duke Energy Progress, LLC
DOCKET E-2 Sub 1219
NORTH CAROLINA RETAIL
Smith Second Settlement Exhibit 4
Calculation of Levelized Factors**

Line No.	Item	Amount	Amount
	<u>Annuity Factor</u>		
1	Number of years	5 ^{1/}	2 ^{2/}
2	Payment per period	1	1
3	After tax rate of return (L9)	6.484%	6.484%
4	Present value of 1 dollar over number of years with with 1 payment per year	4.1575	1.8210
5	1 plus (interest rate divided by two)	1.0324	1.0324
6	Annuity factor (L4 x L5)	<u>4.2922</u>	<u>1.8800</u>

	<u>Capital Structure</u> (a)	<u>Cost Rates</u> (b)	<u>Overall Rate of Return</u> ^{4/} (c)	<u>Net of Tax Rate</u> (d)
	<u>After Tax Rate of Return</u>			
7	48.00% ^{3/}	4.045% ^{3/}	1.942%	1.492% ^{5/}
8	52.00% ^{3/}	9.600% ^{3/}	4.992%	4.992% ^{6/}
9	<u>100.00%</u>		<u>6.934%</u>	<u>6.484%</u>
10	Statutory Tax Rate			23.17%

- 1/ Unprotected EDIT amortization period as per settlement.
- 2/ NC EDIT and Deferred Revenue amortization period per settlement
- 3/ Smith Second Settlement Exhibit 1
- 4/ Column (a) times Column (b).
- 5/ Column (c) times (1 minus combined income tax rate of 23.1693%).
- 6/ Amount from Column (c).

CERTIFICATE OF SERVICE

DOCKET NO. E-2, SUB 1219

I hereby certify that a copy of the foregoing **SECOND SETTLEMENT TESTIMONY OF STEPHEN G. DE MAY, DYLAN W. D'ASCENDIS, KARL W. NEWLIN AND KIM H. SMITH** was served electronically or by depositing a copy in United States Mail, first class postage prepaid, properly addressed to the parties of record.

This the 31st day of July 2020.

/s/ Kiran H. Mehta

Kiran H. Mehta

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