



NORTH CAROLINA UTILITIES COMMISSION

– PRESS RELEASE –

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North Carolina Utilities Commission Issues Rate Case Decision, Cuts Duke Energy Progress's Rate Request by More than Half

Raleigh, NC - The North Carolina Utilities Commission today issued an order granting a partial rate increase for Duke Energy Progress, LLC (DEP), which allows DEP to increase rates by less than half of that requested by the Company in its application filed last year. With respect to DEP's handling of coal ash, the Commission imposed a \$30 million management penalty against the Company.

The Commission has imposed the management penalty based on its determination that DEP's handling of coal ash "placed its consumers at risk of inadequate or unreasonably expensive service." In addition, the Commission found that, "DEP admits to pervasive, system-wide shortcomings such as improper communication among those responsible for oversight of coal ash management."

The penalty will be paid for by the Company and not by the Company's customers. The Commission further found that DEP paid too much for coal ash removal at the Company's Asheville coal-burning plant and, therefore, denied recovery from customers of an additional \$9.5 million.

The Commission's order also denies DEP's request for the recovery in this rate case of the Company's ongoing coal ash remediation costs. Instead, DEP is authorized to record these coal ash remediation costs in a deferral account until its next general rate case, at which point these costs will be carefully scrutinized to determine the extent to which recovery is appropriate.

DEP initially sought to charge customers an additional \$477.5 million annually (an increase of 14.9%), including a rate of return on common equity of 10.75%. In September, DEP revised its request, reducing it to \$419.5 million. DEP proposed that the basic monthly customer charge for residential customers be increased from \$11.13 to \$19.50.

On November 20, 2017, DEP and the Public Staff of the North Carolina Utilities Commission jointly filed a settlement that resolved some, but not all, of the issues in the case. In the settlement, DEP agreed to an overall rate of return of 7.09%, which included a rate of return on common equity of 9.9% applied to a capital structure with 52% members' equity. Parties to that settlement agreement also agreed that the basic monthly customer charge for residential customers should be increased only to \$14.00.

The Commission's decision today approves the return and capital structure that was agreed to by the Public Staff and DEP, finding it to be "just and reasonable." Consistent with the settlement, the Commission also approved an increase in the basic customer charge to \$14.00. The Commission's order cuts DEP's revised \$419.5 million revenue request by more than 50%.

Today's decision acknowledges that "the rate increase approved in this case . . . will be difficult for some of DEP's customers to pay, in particular the Company's low-income customers." As a part of the settlement approved by the Commission, DEP will make a \$2.5 million contribution from shareholder funds to the Helping Home Fund to be used for low-income energy assistance in DEP's North Carolina service territory.

The Commission's decision today follows nine days of a hearing in which expert witness testimony was presented by many parties to the proceeding, in addition to five hearings for public comment that were held throughout DEP's service area in which over 140 public witnesses testified. The decision requires DEP to file rate schedules that are consistent with the Commission's order within 30 days, which the Commission will review before they become effective. The effects of the federal tax cuts passed last year will be addressed shortly in the separate proceeding that the Commission has initiated for the purpose, Docket No. M-100 Sub 148.

The Commission's order is lengthy and addressed all issues raised in the proceeding. A copy of the complete order and the entire record in this proceeding is available on the Commission's website, www.ncuc.net, under [Docket No. E-2 Sub 1142](#).