



Heather Shirley Smith
Deputy General Counsel

Duke Energy Carolinas, LLC
40 W. Broad Street
Suite 690
Greenville, SC 29601

o 864.370.5045
f 864.370.5183

heather.smith@duke-energy.com

August 25, 2017

The Honorable Jocelyn G. Boyd
Chief Clerk Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: Amended Project Development Application of Duke Energy Carolinas, LLC for
Approval of Decision to Incur Nuclear Generation Pre-Construction Costs
PSCSC Docket No. 2011-20-E

Dear Mrs. Boyd:

Today Duke Energy Carolinas, LLC ("DE Carolinas") is filing a request in North Carolina Utility Commission Docket Nos. E-7, Subs 819 and 1146 a request to cancel the Lee Nuclear project pursuant to N.C. Gen Stat. § 62-110.7, as described in the attached filing. This request to the NCUC is a predicate to cost recovery for the project in North Carolina, and we wanted to ensure that the Commission and parties to this docket were aware of the request. At this time, we are not making requests in South Carolina on this matter.

If you have any question, please do not hesitate to contact me.

Respectfully submitted,

Heather Shirley Smith

Enclosure

Cc: Mr. C. Dukes Scott, Office of Regulatory Staff
Ms. Nanette Edwards, Office of Regulatory Staff
Ms. Dawn Hipp, Office of Regulatory Staff
Ms. Shannon Bowyer Hudson, Esq., Office of Regulatory Staff
Mr. Michael Seaman-Huynh, Office of Regulatory Staff
Parties of Record



Heather Shirley Smith
Deputy General Counsel

Duke Energy
40 W Broad Street
Suite 690
Greenville, SC 29601

o 864 370 5045
f 864 370 5183

heather.smith@duke-energy.com

August 25, 2017

Ms. M. Lynn Jarvis
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, NC 27699-4300

**RE: Duke Energy Carolinas, LLC's Request for Approval to Cancel the Lee Nuclear Project and to Consolidate Dockets
Docket No. E-7, Sub 819**

Dear Ms. Jarvis:

Enclosed for filing is Duke Energy Carolinas, LLC's Request for Approval to Cancel the Lee Nuclear Project and to Consolidate Dockets, which is being filed contemporaneously with Duke Energy Carolinas' Application to Adjust Retail Rates, Request for an Accounting Order and to Consolidate Dockets in Docket No. E-7, Sub 1146.

Sincerely,

A handwritten signature in black ink that reads "Heather Shirley Smith".

Heather Shirley Smith

Enclosures

cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 819

In the Matter of)
) **DUKE ENERGY CAROLINAS,**
Amended Application of Duke Energy) **LLC'S REQUEST FOR**
Carolinas, LLC for Approval of Decision to) **APPROVAL TO CANCEL THE**
Incur Nuclear Generation Project) **LEE NUCLEAR PROJECT AND**
Development Costs) **TO CONSOLIDATE DOCKETS**

INTRODUCTION

NOW COMES Duke Energy Carolinas, LLC (“DE Carolinas” or the “Company”) pursuant to N.C. Gen. Stat. §62-110.7 and respectfully files this Request for Approval to Cancel the proposed William States Lee, III Nuclear Station in Cherokee County, South Carolina (“Lee Nuclear Station” or the “Project”) (the “Project Cancellation Request”). Consistent with this Commission’s March 20, 2007 *Order Issuing Declaratory Ruling*, its June 11, 2008 *Order Approving Decision to Incur Project Development Costs*, and its August 5, 2011 *Order Approving Decision to Incur Limited Additional Project Development Costs* (“2011 Order”) in this Docket, to date, the Company has taken the necessary steps to develop the Project so that it would be available when needed by DE Carolinas’ customers. On December 19, 2016, the Company received a Combined License (“COL”) from the Nuclear Regulatory Commission (“NRC”) for the Lee Nuclear Station allowing DE Carolinas to construct and, upon meeting certain criteria, operate two AP1000 units. Westinghouse Electric Company, LLC’s (“Westinghouse”) recent bankruptcy and its publicly stated intent to cease construction of new nuclear units in the

United States have placed significant uncertainty on the Project. It is unlikely the Company will be able to construct and commence operation of the Project before the end of the next decade. These recent events support the conclusion that the Project, as originally contemplated, should be cancelled in the best interest of customers. Therefore, the Company respectfully requests the North Carolina Utilities Commission's (the "Commission") approval to cancel the Project. The project development work completed to date, and specifically the receipt of the COL, will shorten the timeframe for any future nuclear development, and the Company will continue to readily evaluate new nuclear to meet future customer needs. Therefore, the COL for Lee remains valuable.

In addition, the Company has attached as Appendix 1 hereto, the responses to the questions in the Commission's May 15, 2017 Order Denying Request for Show Cause Order and Requesting Additional Information.

In further support of its Project Cancellation Request, DE Carolinas respectfully shows the Commission the following:

1. Its general offices are at 550 South Tryon Street, Charlotte, North Carolina, and its mailing address is:

Duke Energy Carolinas, LLC
P.O. Box 1321 (DEC 45A)
Charlotte, North Carolina, 28201

2. The names and addresses of Applicant's attorneys are:

Heather Shirley Smith
Deputy General Counsel
Duke Energy Corporation
40 W. Broad Street, Suite 690
Greenville, South Carolina 29601
864-370-5045
heather.smith@duke-energy.com

Lawrence B. Somers
Deputy General Counsel
Duke Energy Corporation
P.O. Box 1551
Raleigh, North Carolina 27602
919 546-6722
bo.somers@duke-energy.com

Attorneys for Duke Energy Carolinas, LLC

Description of the Company

3. The Company is engaged in the generation, transmission, distribution, and sale of electric energy at retail in the central and western portions of North Carolina and the western portion of South Carolina. It also sells electricity at wholesale to many municipal, cooperative and investor-owned electric utilities. DE Carolinas is a public utility under the laws of North Carolina and is subject to the jurisdiction of this Commission with respect to its operations in this State. The Company also is authorized to transact business in the State of South Carolina and is a public utility under the laws of that State. Accordingly, its operations in South Carolina are subject to the jurisdiction of the Public Service Commission of South Carolina.

WESTINGHOUSE BANKRUPTCY

4. The AP1000 technology is owned by Westinghouse, a subsidiary of Toshiba Corporation (“Toshiba”). Three two-unit AP1000 projects are currently under construction with two projects in China and one in the United States. A fourth recently ceased construction. For the United States AP1000 projects, Westinghouse, along with other consortium members, entered into Engineering, Procurement and Construction (“EPC”) Agreements with the owners of the Allen W. Vogtle Electric Generating Plant (“Vogtle”) and the Virgil C. Summer Nuclear Station (“V.C. Summer”) projects to construct the plants and turn over operation of the plants to the utility owners upon construction completion. Expectations of a similar EPC Agreement structure formed the basis of the Company’s proposed Lee Nuclear Station included in the Company’s Integrated Resource Plans.

5. On December 27, 2016, shortly after the Company received the COL for the Lee Nuclear Station, Toshiba announced the possibility of recognition of goodwill and loss related to Westinghouse’s acquisition of its consortium partner, CB&I Stone & Webster. Early in 2017, Westinghouse announced that it had suffered significant losses from its AP1000 projects in the United States and planned to exit the nuclear plant construction business. On February 14, 2017, Toshiba announced that it would be taking a \$6.3 billion write down of its Westinghouse nuclear business. Toshiba’s total market capitalization at that time was approximately \$8 billion. At the same time, Toshiba announced the resignations of Toshiba’s CEO and Westinghouse’s Chairman and CEO,

and indicated Toshiba's desire to sell all or a part of Westinghouse. On March 29, 2017, Westinghouse filed under Chapter 11 and is currently in bankruptcy proceedings.

6. In lieu of Westinghouse rejecting the EPC Agreements with the Vogtle and V.C. Summer owners, it entered into Interim Assessment Agreements to continue construction on the projects in a manner that was cost-neutral for Westinghouse while the parties worked out a long-term solution to the issues related to the construction of the U.S. AP1000 projects. In June 2017, Westinghouse also executed a Services Agreement with Georgia Power Company ("Georgia Power") acting on its own behalf and as agent of the Vogtle co-owners, to provide engineering and procurement support for the AP1000 design in the event that Georgia Power and the co-owners continue the Vogtle project. That Services Agreement was approved by the bankruptcy court on July 20, 2017, pending receipt of certain regulatory approvals which occurred on July 27, 2017. However, it remains unclear what, if any, support Westinghouse may provide to another utility in the United States that commences construction of an AP1000 plant or if Westinghouse will sell the AP1000 technology to another firm.

7. On July 31, 2017, the owners of V.C. Summer announced they are ceasing construction of V.C. Summer. The owners of Vogtle are still considering whether to complete or cancel their project. In light of all the foregoing events, the Company's current ability to reasonably assess project execution strategies and risk are limited, creating significant doubt whether the Company would be able to complete the Project as originally contemplated.

**UNCERTAINTIES REGARDING CONSTRUCTION OF
THE LEE NUCLEAR STATION**

8. The uncertainty regarding future construction of an AP1000 unit in the United States as a result of the Westinghouse bankruptcy has created an unacceptable level of risk to continuation of the Project at this time. This critical factor renders it infeasible for the Company to construct and commence operation of the Lee Nuclear Station before the end of the next decade. Therefore, it is no longer reasonable to continue with the Project as originally contemplated. As a result, the Company believes it serves customers' best interests to cancel the Project.

9. The COL nonetheless provides customers and the Company with a valuable option to construct carbon-free new nuclear generation in the future should circumstances change and construction become feasible and in the best interest of customers. The COL does not expire until 40 years after the NRC Commission finding in 10 CFR 52.103(g) that certain acceptance criteria are met. The 10 CFR 52.103(g) finding does not occur until after the units are constructed and shortly before the units may be operated. The Company plans to maintain the COL in order to preserve this option for its customers.

10. Nuclear energy is an important component of DE Carolinas' generation portfolio and the Company continues to regard new nuclear as a viable option for future generation under the right circumstances. Nuclear generation is a reliable, carbon-free and cost-effective source of electricity, and remains important in creating a diverse, sustainable energy future. Additionally, several of Duke Energy's operating nuclear units are approaching the end of their existing licenses in the early to mid-2030s and will need

license extensions to continue to operate. To date, no U.S. nuclear plant has received a license extending its operating horizon from 60 years to 80 years. The Company is evaluating the cost and potential for such license extensions for its existing nuclear units, and notes that if licenses are not extended, it will impact Duke Energy's generating portfolio and future resource needs. The Company will continue to monitor its customers' energy needs, project costs, environmental regulations, relicensing activity and natural gas prices to determine whether to pursue new nuclear generation at some point in the future.

REQUEST FOR APPROVAL OF DECISION TO CANCEL THE PROJECT

11. Pursuant to N.C. Gen. Stat. §62-110.7(d), the Company is requesting recovery of all reasonable and prudently incurred Lee Nuclear Station project development costs in the N.C. Gen. Stat. §62-133 general rate case proceeding being filed contemporaneously herewith in Docket No. E-7, Sub 1146. For all of the foregoing reasons, the Company requests that the Commission approve its decision to cancel the Lee Nuclear Station.

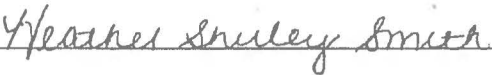
REQUESTED DOCKET CONSOLIDATION

12. DE Carolinas notes that this Project Cancellation Request is being simultaneously filed in both this Docket and Docket E-7, Sub 1146, Application of Duke Energy Carolinas, LLC for Adjustment of Rates And Charges Applicable to Electric Utility Service in North Carolina. DE Carolinas respectfully requests that the matters be consolidated and considered simultaneously, as the Company requests the Commission to allow DE Carolinas to cancel the Lee Nuclear project as originally envisioned and to

recover in the rate case the relevant expenses related to the project, including an accounting order in Docket E-7, Sub 1146.

WHEREFORE, Duke Energy Carolinas respectfully requests that the Commission approve its Project Cancellation Request and Request for Consolidation.

Respectfully submitted this 25th day of August, 2017.



Heather Shirley Smith
Deputy General Counsel
Duke Energy Corporation
40 W. Broad Street, Suite 690
Greenville, South Carolina 29601
864-370-5045
heather.smith@duke-energy.com

Lawrence B. Somers
Deputy General Counsel
Duke Energy Corporation
P.O. Box 1551
Raleigh, North Carolina 27602
919-546-6722
bo.somers@duke-energy.com

ATTORNEYS FOR DUKE ENERGY CAROLINAS, LLC

APPENDIX 1

Information in Response to Order Denying Request for Show Cause Order and Requesting Additional Information

On May 15, 2017, the North Carolina Utilities Commission (“NCUC” or the “Commission”) issued its Order Denying Requests for Show Cause Order and Requesting Additional Information in Docket No. E-7, Sub 819 (“Order Requesting Additional Information”). Specifically, the Commission requested general information from Duke Energy Carolinas (“DE Carolinas”) regarding the bankruptcy of Westinghouse Electric Co. LLC (“Westinghouse”) and its impact on the proposed William States Lee, III Nuclear Station in Cherokee County, South Carolina (“Lee Nuclear Project” or the “Project”), and also requested verified responses to eight (8) specific questions. The general information requested by the Commission was described specifically in the following paragraph from the Order Requiring Additional Information:

Therefore, the Commission will require DEC to provide information concerning its assessment of the Toshiba financial situation and potential impact on the Lee Nuclear Station. In requesting this information, the Commission recognizes that the Toshiba situation is evolving and uncertain. Nevertheless, DEC should provide such information to the best of its ability at the current time. Specifically, the Commission requests that DEC provide a report containing: its assessment of the Toshiba bankruptcy situation, including possible resolutions and likely timelines; a brief and general description of any contracts that DEC may have entered with Toshiba or Toshiba's affiliates to support the design and construction of the Lee Nuclear Station, including any termination clauses; whether there are any other entities using the AP1000 technology, or some other technology, that may be available and acceptable to DEC to support design and construction of the Lee Nuclear Station; DEC's estimate of any delay caused by the Toshiba situation with respect to DEC's plans to construct or complete the Lee Nuclear Station; whether the COL granted by the NRC to DEC for the Lee Nuclear Station is contingent upon the use of the AP1000 technology; and what delay DEC would estimate to occur

if the COL has to be amended or reissued. *Order Requesting Additional Information* at 5.

The Company hereby responds to both the general questions and provides verified responses to the eight (8) questions posed by the Commission as follows:

I. General Information Requested

The AP1000 technology, which is the design contemplated for the Lee Nuclear Project, is owned by Westinghouse. In addition to four AP1000 units under construction in China, there are currently two AP1000 units under construction in the United States and two units that ceased construction on July 31, 2017. For the development of these projects, Westinghouse contracted with other firms to form a consortium to share the financial risk of new nuclear plant construction. The consortium entered into Engineering, Procurement and Construction (“EPC”) Agreements with the owners of the Alvin W. Vogtle Electric Generating Plant (“Vogtle”) and the Virgil C. Summer Nuclear Station (“V.C. Summer”) projects to construct the plants and turn over operation of the plants to the utility owners upon construction completion. The expectations of a similar EPC contracting structure formed the basis of the Company’s proposed Lee Nuclear Station included in the Company’s Integrated Resource Plan (“IRP”). Over time the consortium membership changed and eventually Westinghouse acquired the interest from its other unaffiliated consortium partner such that it no longer shared the financial risk with an unaffiliated consortium partner. However, Westinghouse was ultimately unable to bear the financial risk of the losses it sustained on the V.C. Summer and Vogtle projects, forcing it to file for bankruptcy protection. In light of the bankruptcy of Westinghouse and its expressed statements that it will be exiting the nuclear construction

business, the ability to enter into an EPC agreement with Westinghouse for the construction of AP1000 Units at the Lee Nuclear Project is not possible. Other contracting alternatives for the development of the Lee Nuclear Project may be viable, but the risk and cost of those alternative options cannot be fully formulated or evaluated at this time.

DE Carolinas continues to closely monitor the progress at the Vogtle AP1000 project and previously monitored the status of the V.C. Summer AP1000 project, which recently ceased construction, to learn from those experiences. DE Carolinas has consistently stated that it intended to incorporate lessons learned from the first AP1000 projects. Although DE Carolinas is fairly confident that there will continue to be a means to obtain the engineering support and intellectual property rights for AP1000 COL holders, until Westinghouse exits bankruptcy it will remain unclear what level of support Westinghouse will provide and under what terms and conditions, or if Westinghouse will sell the AP1000 technology to another firm. Westinghouse has publicly stated that it anticipates that it will emerge from bankruptcy at the end of the 2017 or early 2018 and intends to continue to market and support the AP1000 technology as the plant designer and equipment provider, but it will not provide construction services.

Alternative arrangements are being proposed for completing the Vogtle project. However, at this time it is difficult to determine the costs and risks associated with construction of the Lee Nuclear Project. Therefore, DE Carolinas believes the best course of action will be to observe operating experience under the revised Vogtle

AP1000 project contracting structure, if that Project moves forward, to better determine costs and risks to DE Carolinas customers of proceeding with future nuclear.

In the 2007 to 2008 timeframe, DE Carolinas was in negotiations for an EPC agreement for the Lee Nuclear Project with the consortium. At the time, DE Carolinas was targeting a 2016 in-service date for the Lee Nuclear Project. However, DE Carolinas was unable to come to terms on a number of issues, most prominently cost and risk sharing. No long-lead equipment was procured or ordered. The target date for new nuclear also continued to move out later in time in DE Carolinas' Integrated Resource Plans, allowing DE Carolinas the flexibility to delay future EPC discussions until after receipt of the COL when the project schedule could be better defined. Currently, Westinghouse's support for the Lee COL is provided through APOG, LLC ("AP 1000 Owners Group") that DE Carolinas has an ownership interest in along with other AP1000 utilities in APOG. There are no existing agreements for the Lee Nuclear Project with Toshiba or Toshiba affiliates. However, future agreements with Westinghouse may be needed to provide access to AP1000 proprietary information necessary for regulatory support for the Lee Nuclear Project COL in the event that any emergent regulatory issues occur. No agreement has been entered into at this time for that support.

In order to build the Lee Nuclear Project, DE Carolinas would need to reach a Services Agreement similar to the one recently reached between Westinghouse and Georgia Power Company for Vogtle where Westinghouse would provide intellectual property rights to the AP1000 technology and licensing, procurement and engineering support. There are a number of potential construction contractors that are qualified to

construct the Lee Nuclear Project, including but not limited to Fluor Corporation, which is currently providing construction support for Vogtle and also provided construction support for V.C. Summer prior to its owners decision to cease construction, and Bechtel Corporation which indicated its intention to submit a bid to support construction of the Vogtle AP1000 project if the Vogtle owners decide to move forward with the project.

The Company is requesting approval from the NCUC to cancel the Lee Nuclear Project, and therefore, DE Carolinas has not estimated the effect that the bankruptcy of Westinghouse or the financial troubles occurring with Toshiba may have on future construction of AP1000 nuclear units in the United States. As explained in the cancellation request, at this time, the uncertainty regarding future construction of an AP1000 unit as a result of the Westinghouse bankruptcy has created an unacceptable level of risk to continuation of the Lee Nuclear Project on the current schedule. This critical factor supports that it is prudent to cancel the Lee Nuclear Project.

The COL is specific to the AP1000 design and a change in the type of technology would require significant time and resources and NRC approval to change the technology underlying the Lee Nuclear Project COL.

II. Verified Responses

1. Generally, how has DEC accounted for costs related to the Lee Nuclear Station? Include in the response to this question when DEC began recording such costs, whether any such costs have been expensed in years prior to 2017, and identify the asset account(s) and the amount(s) in those account(s) at December 31, 2016.

DE Carolinas began incurring costs associated with a COLA in February 2005, and these costs were initially recorded to FERC Account 183, Preliminary Survey and Investigations. As discussed in DE Carolinas Witness Wiles Rebuttal Testimony in Docket No. E-7, Sub 819, once the site for the Lee Nuclear Project was identified in March 2006, the Company reclassified the costs incurred on the project to FERC Account 107, CWIP and included the costs reported on DE Carolinas' Report of Preconstruction Costs for Lee Nuclear Station Project Development Activities, filed semiannually. This accounting is consistent with the Company's policy and FERC accounting guidance. The balance of FERC Account 107 as of December 31, 2016 was \$519,897,031. APOG costs related to the Lee Nuclear Project in the amount of approximately \$2.6 million were expensed. All other Lee Nuclear Project costs were recorded to FERC Account 107.

2. What was the AFUDC rate used for the most recent period ending December 31, 2016? Provide the calculation of that rate and the basis for calculating the AFUDC rate in that manner.

The AFUDC rate used for the period ending December 31, 2016 was 7.85 percent. Please see Attachment A for the calculation of the rate. DE Carolinas calculates the AFUDC rate semiannually (June 30 and December 31). DE Carolinas is using the

following procedure in the development of its AFUDC rate in accordance with the following method prescribed by the Commission in Docket No. E-100, Sub 27:

- 1) The book balances for permanent capital components at valuation date (either June 30 or December 31).
- 2) Six month average estimated short term debt.
- 3) Seven month average of actual and estimated construction work in progress.
- 4) The embedded cost of long-term debt and preferred stock at valuation date (either June 30 or December 31).
- 5) The latest allowed rate of return on common stock.
- 6) Semi-annual compounding.

3. If DEC has included any costs related to the Lee Nuclear Plant in CWIP, does DEC believe it may request inclusion of such CWIP in its rate base in its next general rate case application? If so, cite the North Carolina General Statute(s) that DEC would rely upon to request such CWIP in rate base.

As noted in the Company's Cancellation Request filed in Dockets No. E-7, Sub 819 and E-7, Sub 1146, the Company is requesting Commission approval pursuant to G.S. § 62-110.7(d) to cancel the Lee Nuclear Project and reclassify the costs, adjusted to remove land and incurred through NCUC approval of this request, to FERC Account 182.2, pursuant to Commission Rule R8-27, to be recovered over an amortization period of 12 years, including a return on the unamortized balance.

4. What is DEC's current estimate of the total cost of the Lee Nuclear Station at commercial operation?

DE Carolinas' estimate of the total cost to complete the Lee Nuclear Station is \$12.945 billion, not inclusive of AFUDC. This estimate is based upon the 2008 Westinghouse price book which is specific to the Lee Nuclear Project. DE Carolinas reviewed and escalated the price estimates through its analysis for the annual IRP process, and it compared its price estimate to the values available for other AP1000 projects with appropriate adjustments for site specific costs such as transmission and supplemental cooling. Given the current Westinghouse bankruptcy and the Project Cancellation Request, the pricing from current AP1000 projects under construction is unusable for comparison purposes, and the Company does not believe it is in the best interest of customers to incur additional expense to receive a revised cost estimate at this time.

5. What are DEC's total budgeted expenditures for the Lee Nuclear Station for 2017, 2018, and 2019, excluding and including AFUDC?

The table below identifies the total budgeted expenditures for the Lee Nuclear Station for July – December 2017, 2018 and 2019, assuming the Company's cancellation request is approved, effective April 1, 2018.

Budgeted Expenditures for Lee Nuclear Project (\$s in thousands)

Year	Direct Expenditures	AFUDC
July – December 2017	\$1,641	19,485
January – March 2018	\$263	10,143
April – December 2018 (Post-Cancellation)	\$787.5	N/A
2019 (Post-cancellation)	\$1,050	N/A

6. Has DEC suspended further investment in the Lee Nuclear Station until the Toshiba-Westinghouse situation is resolved? If so, will DEC continue to accrue AFUDC during the time period of any such suspension?

The only project development work that continues to be incurred by DE Carolinas are those costs required to update and preserve the COL with the NRC to provide options for customers in the future. DE Carolinas will continue to incur this cost including AFUDC until such time as the NCUC has approved the cancellation of the project pursuant to G.S. § 62-110.7(d).

7. If DEC decides to cancel the Lee Nuclear Station and seeks Commission approval to record any abandoned project development costs in a regulatory asset account pursuant to Commission Rule R8-27, would DEC seek to include a return on such abandoned costs until recovery could be addressed by the Commission in DEC’s subsequent general rate case?

As noted in the Company’s Cancellation Request filed in Dockets No. E-7, Sub 819 and E-7, Sub 1146, the Company is requesting Commission approval of its decision to cancel the Lee Nuclear Project and is seeking cost recovery pursuant to G.S. §62-110.7(d).

Specifically, the Company is requesting permission to move the balance of Lee Nuclear Project development costs, including AFUDC, adjusted to remove land costs, from FERC Account 107, CWIP to a regulatory asset account to be amortized over the 12 year period proposed by the Company. In its proposed rates, the Company has requested recovery of the annual amortization amount and a return on the unamortized balance.

8. The Commission Order in this Docket dated August 5, 2011, stated in Finding of Fact No. 9 that “[I]t is appropriate for Duke to incur on and after January 1, 2011, only those nuclear project development costs that must be incurred to maintain the status quo with respect to the Lee Nuclear Station, including Duke’s combined construction and operating license (COL) application at the Nuclear Regulatory Commission (NRC), up to a maximum of the North Carolina allocable portion of \$120 million.” As of the date of DEC’s response to these questions, provide DEC’s total expenditures on development costs. If DEC’s expenditures for such costs have exceeded the \$120 million, explain how this occurred without the Commission’s approval.

As of June 30, 2017, DE Carolinas has incurred approximately \$542 million in total project development costs on the Lee Nuclear Project. Since the Commission’s 2011 Order setting the \$120 million pre-authorized spending level for nuclear project development costs incurred on or after January 1, 2011, DE Carolinas has incurred approximately \$332 million of such project development costs. DE Carolinas respectfully asserts that is not required to request that the Commission review the Company’s decision to incur project development cost under G.S. §62-110.7 in order for

those costs to be recovered in a future rate proceeding. G.S. §62-110.7 is a permissive statute and does not require pre-approval of the Company's decision to incur project development costs. Rather, the statute provides that the Company may request that the Commission review its decision "at any time prior to the filing of an application for a certificate to construct a potential nuclear electric generating facility, either under G.S. 62-110.1 or in another state for a facility to serve North Carolina retail customers." Pre-approval under G.S. §62-110.7, does provide for certainty as to reasonableness and prudence regarding the decision to incur project development cost, which is why the Company previously has sought Commission review of its decision to incur project development cost for the Lee Nuclear Project. However, the project development costs above the pre-authorized amount were incurred in order to maintain the status quo with respect to the Lee Nuclear Station, including DE Carolinas' COL application at the NRC, and for the benefit of customers. Such costs are also reasonable and prudently incurred project development costs and should be recoverable along with all other project development costs.

In order to maintain the status quo, DE Carolinas exceeded the preauthorized spending level the Commission set in the 2011 Order by approximately \$212 million. At the time the August 2011 Order was issued, DE Carolinas had projected receipt of the COL in 2013 for the Lee Nuclear Project. Several factors, many of which were beyond DE Carolinas' control, contributed towards a longer licensing schedule than originally anticipated. The capital spending activity declined substantially over the most recent years as project development activities continued to be significantly limited to include

only those activities necessary to maintain the status quo. At the time the pre-authorized spending level was reached, the Lee Nuclear Project continued to be identified in the Company's IRPs as a cost effective, carbon free, base load, reliable option for customers. Considering the resources expended and how far along DE Carolinas was in the licensing process, it would have been unreasonable for DE Carolinas to suspend the licensing activities at that time because the preauthorization level was reached. In addition, the Company continued to keep the Commission abreast of spending through its semi-annual report filings and through its annual IRPs.

Attachment A

**Duke Energy Carolinas, LLC
 Allowance of Funds used During Construction
 Calculation of AFUDC Rate for Second Half of 2016**


Capital Components	July - Dec 2016 Percent of Funds	Capitalization Ratio	Cost rate	Cost	Income Tax Factor	After Tax Cost
Short-term debt	0.00000%	0.00000%	0.00000%	0.00000%	62.47650%	0.00000%
Long-term debt	100.00000%	44.11000%	4.88614%	2.15528%	62.47650%	1.34654%
Preferred stock	100.00000%	0.00000%	0.00000%	0.00000%		0.00000%
Common equity	100.00000%	<u>55.89000%</u>	10.20000%	<u>5.70078%</u>		<u>5.70078%</u>
		<u>100.00%</u>		<u>7.85606%</u>		<u>7.04732%</u>
Rate used (NCUC Method - July-Dec 2016)				7.85%		

The allowance for funds rate is calculated semi-annually.

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

David B. Fountain, being first duly sworn, deposes and says:

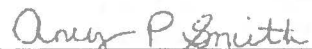
That he is the North Carolina President for Duke Energy Carolinas, LLC; that he has read the foregoing Request and knows the contents thereof; that the same is true as to matters stated therein on information and belief, and as to those matters he believes them to be true.



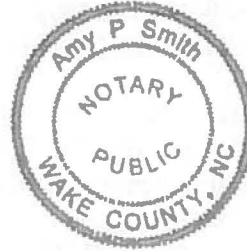
David B. Fountain

Sworn to and subscribed before me

This 24 day of August, 2017.



Notary Public for North Carolina
My Commission Expires: ~~September~~ September 7, 2020



CERTIFICATE OF SERVICE

Docket No. E-7, Sub 819

I certify that a copy of Duke Energy Carolinas, LLC's Request for Approval to Cancel the Lee Nuclear Project and to Consolidate Dockets has been served by hand delivery, depositing a copy in the United States Mail, first class postage prepaid, or by electronic mail, properly addressed to the following parties of record:

David Drooz, Chief Counsel
Dianna Downey, Counsel
Lucy Edmondson, Counsel
Public Staff
North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, NC 27699-4326
david.drooz@psncuc.nc.gov
dianna.downey@psncuc.nc.gov
lucy.edmondson@psncuc.nc.gov

Ralph McDonald
Bailey & Dixon, LLP
Counsel for CIGFUR
PO Box 1351
Raleigh, NC 27602-1351
rmcdonald@bdixon.com
aolls@bdixon.com

Margaret Force
Assistant Attorney General
N C Department of Justice
P O Box 629
Raleigh, NC 27602-0629
pforce@ncdoj.gov


Robert Page
Counsel for CUCA
Crisp, Page & Currin, LLP
4010 Barrett Drive, Ste. 205
Raleigh, NC 27609-6622
rpage@cpclaw.com

Sharon Miller
Carolina Utility Customers Assoc.
1708 Trawick Road
Suite 210
Raleigh, NC 27604
smiller@cucainc.org

John Runkle
2121 Damascus Church Road
Chapel Hill, NC 27516
jrunkle@pricecreek.com

Wells Eddleman
811 Yancey Street
Durham, NC 27701-3151
wintervenor@yahoo.com

This the 25th day of August, 2017.


Heather Shirley Smith
Deputy General Counsel
Duke Energy Corporation
Attorney for Duke Energy Progress, LLC
40 W. Broad Street, Suite 690
Greenville, South Carolina 29601