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July 13, 2021

VIA ELECTRONIC FILING

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

RE: Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC for Approval to Transfer Certain Intercompany Assets and for Related Accounting Authority
Docket No. 2021-193-E

Dear Ms. Boyd:

By this letter the South Carolina Office of Regulatory Staff ("ORS") hereby notifies the Public Service Commission of South Carolina ("Commission") that ORS has reviewed the joint filing submitted by Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP") (together, "Duke" or "Companies") for approval to transfer certain intercompany assets and for related accounting authority ("Application").

Overview of Duke's Request

Duke's maintenance of its generation fleets requires it to maintain access to rotable fleet spares ("RFS"), which are spare parts for planned and unplanned outages. Duke is seeking to optimize the management of its respective RFS inventories by transferring a set of RFS components from DEC's Dan River Combined Cycle Station to DEP's Sherwood H. Smith, Jr. Energy Complex ("Smith") in anticipation of planned maintenance outages at the Smith facility in August 2021. Duke also requests authority to use the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts to account for the difference between the fair market value and the net book value of the RFS asset.

South Carolina Code Ann. § 58-27-1300 requires Duke to obtain approval from the Commission when Duke seeks to "sell, assign, transfer, lease, consolidate, or merge its utility property" with a fair market value in excess of $1,000,000. The proposed inventory-to-inventory transfer from DEC to DEP is at the fair market value of $18,111,091. The net book value of the

used components is $24,789,800. The Companies state transferring RFS inventory between DEC and DEP at fair market value instead of net book value will result in material costs savings that will benefit the Companies and their ratepayers.

South Carolina Code Ann. § 58-27-1540 states that "[e]very electrical utility must keep its books, papers, and records accurately and faithfully according to the system of accounts and all regulations and directions in relation thereto prescribed by the Office of Regulatory Staff." Duke requests that the Commission approve its use of FERC accounts 254 and 182.3 for the used RFS asset transfers at market value. Based on the difference between the net book and market value, DEP will record a regulatory liability of ($6,678,708), which will be amortized to reduce the cost of service over a relatively short period of time. DEC will remove the RFS assets from its rate base accounts at net book value and record a regulatory asset value of $6,678,708, which will be amortized as an increase to the cost of service over a similarly short time period.

ORS Recommendation

ORS reviewed Duke's Application, the proposed transfer details, South Carolina Code Ann. § 58-27-1300, South Carolina Code Ann. § 58-27-1540, and prior filings by Duke regarding the transfer of RFS assets. This request will not involve a change to any of DEC's or DEP's retail rates or prices, require any change in any Commission rule, regulation, or policy, and the issuance of the requested accounting order does not prejudice the right of any party to address the prudency of these costs in DEC's or DEP's next general rate case proceeding. Based on the information provided, ORS does not object to Duke's Application for approval to transfer intercompany assets and for accounting authority.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Jeffrey M. Nelson

cc: All Parties of Record (via e-mail)
David Butler, Esquire (via e-mail)

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