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October 27, 2005

10/28/05
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2005-348-E

VIA HAND DELIVERY
The Honorable Charles L.A.Terreni
Chief Clerk and Administrator
The Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Application of Duke Power, a Division of Duke Energy Corporation, for Approval of the Transfer and Sale of Property in North Carolina.

Dear Mr. Terreni:

Attached is the original Application of Duke Power, a division of Duke Energy Corporation, ("Duke"), with exhibits, along with 10 copies of the same, relevant to the above-referenced matter.

We have provided a Certificate of Service showing that a copy has been provided to the South Carolina Office of Regulatory Staff.

RECEIVED
OCT 27 2005
PSC SC
DOCKETING DEPT.

With kind regards, we are

Sincerely,

Richard L. Whitt

William F. Austin
Richard L. Whitt

RLW/dss
Cc: Florence Belser, Esquire

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. _____

IN RE:

Application of Duke Power, a Division of Duke Energy Corporation, for Approval of the Transfer and Sale of Property in North Carolina	)))))	**APPLICATION**

Duke Power, a division of Duke Energy Corporation ("Applicant" or the "Company"), hereby applies to the Public Service Commission of South Carolina ("Commission") for approval of the transfer and sale of certain real estate, the Lake Wylie Training Center located in Mecklenburg County, North Carolina (the "Property" or "Lake Wylie Training Center," and more fully described in Exhibit "A"). The property is located in Duke Power's service area in North Carolina. This Application is made pursuant to Section 58-27-1300, Code of Laws of South Carolina, (1976, as amended). In support of this Application, the Company shows the Commission the following:

1. Its general offices are at 422 South Church Street, Charlotte, North Carolina, and its mailing address is:

   Duke Power
   422 S. Church Street, PBO5E
   Charlotte, North Carolina 28202

2. The name and address of Applicant's attorneys are:

   Lawrence B. Somers, Assistant General Counsel
   Duke Power, a division of Duke Energy Corporation
   P.O. Box 1244, PBO5E
   Charlotte, North Carolina 28201-1244
   (704) 382-8142

William F. Austin
Richard L. Whitt
Austin, Lewis & Rogers, P.A.
508 Hampton Street
Columbia, South Carolina 29201
(803) 251-7442

3. Copies of all pleadings, orders or correspondence in this proceeding should be served upon the attorneys listed above.

4. The Company is a public utility engaged in the generation, transmission, distribution, and sale of electric energy in the central and western portion of North Carolina and the western portion of South Carolina and is subject to the jurisdiction of this Commission.

5. The Lake Wylie Training Center consists of certain real estate, which is not required for the Company's current utility operations. Exhibit "A" provides a detailed description of the Property.

6. The Lake Wylie Training Center is being sold to Provident Development Group, Inc. a North Carolina corporation. The transaction will not affect the Company's ability to provide reliable service to its customers at just and reasonable rates.

7. The Company and Provident Development Group, Inc. entered into an Agreement of Purchase and Sale for the Property at a sales price of $6,550,000.00 on July 20, 2004. [1]The two appraisals of the market value of the Property were $5,089,000 to $6,600,000 based on residential density allowed as indicated by appraisal letter dated April 10, 2003 by T.B. Harris, a State Certified General Real Estate Appraiser in North Carolina, with offices located in Charlotte, North Carolina (Exhibit "B" attached hereto is a copy of the appraisal letter); and $6,290,000 to $7,480,000 based on residential density allowed as indicated by appraisal letter dated April 14, 2003 by Fitzhugh Stout, a State Certified General Real Estate Appraiser in North Carolina, with offices located in Charlotte, North Carolina

[1] This property has been continuously under contract with the same purchaser since July 2004. The passage of time was occasioned by the purchaser's due diligence and the required rezoning process.

Exhibit "C" attached hereto is a copy of the appraisal letter). The depreciated book value of the Property is $3,257,660 (as of June 2005). The appraised property includes approximately 518 acres improved with three significant structures and various small storage sheds. These structures include a training facility of approximately 35,000 square feet, a prefabricated warehouse/training area of approximately 16,800 square feet, and a distribution training facility of approximately 13,800 square feet.

8. The Lake Wylie Training Center is located at 5101 Amos Smith Road in the Berryhill Township of western Mecklenburg County, North Carolina. This site housed operations that have been relocated to newer facilities, consolidated into other company facilities or moved to more appropriate space, rendering this property surplus. Biswanger first marketed the training facility and 20 acres in September of 1999, but no offers were received. Duke Energy then made the decision to sell the larger site and Duke Energy's Corporate Real Estate Services began marketing the property. Duke received interest in the Property and entered into two separate contracts with other purchasers, which fell through due to rezoning or other issues.

9. The original cost of the Property being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, "Electric Plant in Service". The difference between the sale price and the original cost of the non-depreciable Property will be applied to Account 421.10, "Gain on Disposition of Property" or Account 421.20, "Loss on Disposition of Property".

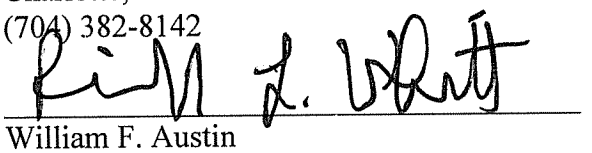
10. The Office of Regulatory Staff is being served with a copy of this application.

11. Applicant requests that (i) this Commission inquire into this matter, (ii) if no substantial opposition develops, (iii) this Commission hear and approve this matter at the next appropriate weekly agenda session, and (iv) issue an appropriate order approving the relief sought in the Company's application. Applicant also requests such other and further relief as this Commission may deem just and proper.

WHEREFORE, Applicant prays that pursuant to Section 58-27-1300, Code of Laws of South Carolina (1976, as amended) and other applicable rules and regulations, that the Commission enter an Order approving the transfer and sale of the subject property.

This the 27th day of October, 2005.

Lawrence B. Somers
Assistant General Counsel
P.O. Box 1244, PBO5E
Charlotte, North Carolina 28201-1244
(704) 382-8142



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508 Hampton Street
Columbia, South Carolina 29201
(803) 256-4000

Attorneys for Duke Power, a Division of Duke Energy Corporation
Columbia, South Carolina

Application of Duke Power, a Division of Duke Energy Corporation, for Approval of the Transfer and Sale of Property in North Carolina.

CERTIFICATE OF SERVICE

I, Darla Stone, employee of Austin Lewis Rogers, P.A., hereby certify that I caused copies of this Application to be hand delivered on this date, to the individuals shown below, at the addresses shown below:

RECEIVED
2005 OCT 27 PM 4:13
S.C. PUBLIC SERVICE COMMISSION

Florence Belser, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, South Carolina 29201

This the 27 day of October, 2005.

Austin Lewis and Rogers, P.A.

By: Darla S. Stone

Darla S. Stone

Exhibit A

All that certain tract of land containing 518.8 ± acres, lying on both sides of Amos Smith Road (County Road No. 1186), bounded on the north by lands now or formerly of Clayton K. Bright, Jr. and others, and the Southern Railway right of way, on the east by Lake Wylie (Paw Creek), on the south by remaining lands of Grantor and various other owners, and on the west by Lake Wylie (Catawba River) and the remaining lands of Grantor, as shown on plat of survey thereof entitled "Duke Power Company TRAINING CENTER," dated October 4, 1984 and marked Catawba File No. 540, as recorded with the deed in Deed Book 5106 at Page 0024 on October 15, 1985 in the Office of the Register of Deeds for Mecklenburg County (the "Registry"); AND BEING all the property acquired by Grantor by deed from Crescent Resources, LLC (formerly known as Crescent Land & Timber Corporation) dated October 15, 1985 and recorded in Deed Book 5106 at Page 0024 in the Office of the Register of Deeds for Mecklenburg County (the "Registry").

T.B. Harris Jr.
& Associates

April 10, 2003

Mr. Tony Maye
Duke Power Company
Facilities and Real Estate Services
400 South Tryon Street
Charlotte, NC 28201

RE: Letter Update to Complete Appraisal, Summary Report of Duke Energy Company's Lake Wylie Training Facility, Charlotte ETJ, Mecklenburg County, North Carolina

Dear Mr. Maye:

At your request, we have completed a letter update to the Complete Appraisal, Summary Report of the Duke Energy Company's Lake Wylie Training Facility. This report was prepared by Thomas B. Harris, Jr., MAI, with the assistance of Mark W. Galleshaw, MAI, both of T.B. Harris, Jr. & Associates, in a report with an effective date of February 7, 2001. The prior report, including all assumptions, limiting conditions, descriptions and analysis is incorporated by reference.

Overview of Letter Update

This letter update reflects only changes in the prior report and cannot be fully understood without the prior report, which is hereby referenced. Facts, items, descriptions and analysis contained in the prior report are excluded in this letter update unless there has been a material change.

The format presented below is specific to the assignment and follows the order of the prior report. Topics presented below are those in which the substance of the narrative varies from that of the original report.

Background, Purpose and Intended Use of the Report

The property under appraisal consists of the Duke Energy Training Facility, a 31,610 square foot masonry building constructed in 1988 on 518.4-acres. The purpose of this report is to provide an opinion of market value "as is" of the fee simple interest in the property under two scenarios reflecting the possible density permitted by governmental authorities. The two density thresholds are 1,000 dwelling units versus 1,800 dwelling units. The function is to serve as a planning tool to aid in current negotiations to sell the property to Cornerstone Development. Since the possible sales price may be impacted by the eventual density allowed, and since the future density will be based upon evolving data, the client has requested these two representative density thresholds be considered.

Summary of Interim Changes in the Property and Value Influences

Since the preparation of the prior report, additional information regarding the development of the site has been generated. At this time, the final density is still in question, due to the need to coordinate development planning with the Charlotte Mecklenburg Utilities Department (CMUD), the Charlotte Department of Transportation (CDOT), and the Charlotte Planning and Zoning (CP&Z). Considerations include zoning, transportation system improvements and wastewater systems costs.

The zoning jurisdiction for the property recently changed from Mecklenburg County to the City of Charlotte through an expansion of the city's Extra Territorial Jurisdiction (ETJ). The prior appraisal recognized the somewhat unclear zoning status of the property's zoning at that time. Subsequent events, including the engagement of Kennedy, Covington, Lobdell & Hickman (Kennedy Covington) by Cornerstone for discussions with city zoning representatives, have somewhat clarified the likely outcomes of an attempt to obtain a zoning amendment. It appears that the City's vision for the property's development is primarily for residential use outside the main facility. This is similar to that of the county as demonstrated in its "Dixie Berryhill District Plan," but at a lower density level.

Some difficulties in obtaining the density level projected in the "Dixie Berryhill District Plan" arose in meetings between representatives of CDOT and city planners representing city government, a traffic specialist and John Carmichael of Kennedy Covington representing Cornerstone. CDOT has required a comprehensive traffic study and has given the impression that unless the subject's primary frontage road (Amos Smith Road) is expanded to four lanes, including upgrading the bridge over the Northern & Southern rail line, the maximum number of units they would allow will be in the range of 1,000 to 1,200 units. Even this would require an administrative upgrade from "main collector" to "major collector," which is likely but not certain. Without the upgrade, the density would likely be limited to 500 units.

Another obstacle to the Cornerstone land plan arose in meetings with representatives of CMUD. CMUD indicates that the site will be limited to two wastewater lift stations, one offsite, whereas the Cornerstone land plan required five wastewater lift stations, all onsite. This limitation would require the developers to install a low pressure system with individual grinder units at each unit. Cornerstone believes such a system is not acceptable to national builders and would limit the likely final lot takedown to local builders. Local builders sometimes have less aggressive takedown and marketing programs, or are less credit-worthy, a possible negative influence on residual land value.

In addition to the changing circumstances cited above, there have been changes to the property and its environs since the last report. While the real estate market has generally slowed, the west Mecklenburg County real estate market has maintained steady activity. This is largely due to government activities such as airport expansion and the construction of I-485. These activities were underway as of the prior report date, but their continuation and narrowing timeframes to completion have allowed the submarket to outperform most other areas. Areas near the airport or the I-485 corridor are trending toward commercial uses, with most purchases speculative at this time, while areas between I-485 and the Catawba River are trending toward residential use. In the meantime, the market for institutional buildings and sites has strongly declined since the

prior report. Lastly, the subject improvements are generally unchanged since the last appraisal, except that several ancillary buildings have been demolished.

Ownership and History of the Property

This item remains unchanged from the prior report except to note that the subject is now under contract of sale to Cornerstone Development of Rock Hill, South Carolina. The consideration is $7,250,000. This exceeds the opinion concluded in the prior appraisal of $6,700,000, as well as estimates of this letter update. Cornerstone's exercise of due diligence in regard to this sale has uncovered obstacles to their development plans and the sales price is reportedly under renegotiation.

Description of the Property

The description of the property is unchanged with regard to the subject site. There is a minor change regarding the improvements, as the power substation and some outside training exhibits have been demolished and removed. Cornerstone Development has proposed a residential subdivision for the site, which provides 1,875 dwelling units. However, several obstacles discussed previously appear to limit the density to no more than 1,800 dwelling units and possibly only 1,000 units maximum.

Real Estate Taxes and Assessment

As in the prior report, the subject property is carried in three tax accounts. There has been a Countywide reevaluation since the prior report. The largest tract, Tax Parcel ID 113-221-17, was increased from $6,840,690 to $8,945,100. The assessment for the second largest tract, Tax Parcel ID 113-222-01, more than doubled, from $693,970 to $1,656,800. The last tract, Tax Parcel ID 113-073-04, increased from $140,990 to $180,830. However, as a regulated utility, Duke Power is not subject to typical local real estate taxes. Should the property be transferred to private ownership, an appeal is likely and is recommended.

Neighborhood Analysis

The neighborhood is largely unchanged since the prior report. The shortening of the timeframe for completion of I-485 through the area has aided the market, which has seen steady activity.

The recent passage of tollway legislation by the North Carolina legislature has renewed the potential for the "Garden Parkway," a proposed tollroad from SH 160 to US 321 which is also known as the US 29/75 bypass. The tollway would be funded through state issued bonds and repaid by tolls. This mechanism has been successfully implemented in several other states. However, the timeframe for the Parkway is long-term, at least 10 years until completion according to Scott Sibert of the Gaston Metropolitan Planning Association. The first stage of planning is the conducting of an Environmental Impact Study (EIS), which began in the summer of 2002. The EIS is a four phase process. The first phase was recently completed but the EIS will not be completed until 2006. After completion of the EIS, assuming that it supports going forward, planning and acquisition will require at least three years. Construction, which will also require at least three years, should follow.

Another positive development is the decision to locate the U.S. National Whitewater Center near the subject. The Center is a public park that will offer the facilities and amenities of an outdoor recreational center with a custom-made whitewater river serving as the centerpiece. The river will have the look and feel of mountain-rivers and streams such as the Nantahala, Chattooga and Nolichuky Rivers, but with a condensed series of adjustable rapids and whitewater. The location of the Center is along the South Fork of the Catawba River, the boundary of Mecklenburg and Gaston County, near the intersection of I-85 and I-485. This location is very near the subject. This $21.5 Million, 300-acre facility includes a 37-acre island, several buildings and man-made and natural rivers and streams. The US Canoe and Kayak Organization, which trains US athletes for several Olympic events, has agreed to use the park for training of athletes.

These developments support the continued demand and growth in the subject's market area, resulting in stable-to-increasing real estate values.

Highest and Best Use

As a result of changing market conditions, and as evidenced by the current contract, the highest and best use of the site has been refined somewhat since the prior report. The prior report concluded that the highest and best use for the site would be a subdivision of the site into the improved portion and the excess, with the excess used for residential or rural residential development and the improved portion retained for corporate training usage. It was noted that the market for such improvements was not strong. Since the prior report completion, the market for corporate facilities has strongly declined while the residential market is steady overall, and improving in southwest Mecklenburg County where the subject lies. As general support of the steady residential market, note that Charlotte Association of Realtors statistics indicates that the volume sales of existing homes, as well as the average sales prices, increased from 2001 to 2002, as summarized below:

Residential Comparisons: 2001-2002
Carolina Multiple Listing Service

	Units Closed			Average Closing $		Year to Date		Reported Contracts			Average List $		Year to Date	
	2001	2002	% Chg	2001	2002	2001	2002	2001	2002	%Chg	2001	2002	2001	2002
January	1262	1740	37.90	166,984	179,152	166,984	179,152	1960	2182	11.30	172,417	188,357	172,417	188,357
February	1597	1735	8.60	175,256	190,390	171,120	184,120	2303	2254	-2.20	181,926	187,087	177,171	187,722
March	2066	2170	5.00	175,755	182,064	172,665	183,868	2693	2456	-8.80	186,728	189,583	180,357	188,342
April	2045	1994	-2.50	174,233	174,333	174,074	178,136	2600	2463	-5.30	186,343	191,100	180,876	188,719
May	2040	2378	16.00	169,836	176,451	172,880	177,799	2378	2645	11.00	184,312	196,306	182,429	190,236
June	2477	2410	-2.80	190,943	201,531	175,890	181,754	2406	2352	-3.00	181,730	193,341	182,313	190,753
July	2346	2356	.40	190,277	196,764	177,946	183,898	2342	2487	6.00	191,066	188,734	183,563	190,465
August	2083	2258	8.40	183,124	191,188	178,593	184,810	2216	2537	14.00	179,954	187,963	183,112	190,153
September	2092	2188	4.50	173,343	190,443	178,009	185,435	1984	2375	20.00	178,543	191,154	183,604	190,363
October	1751	1945	11.00	171,709	187,412	177,379	185,230	2131	2276	7.00	172,620	181,710	181,606	189,608
November	1680	1985	18.00	177,951	186,581	177,432	185,353	2017	2218	4.00	180,351	184,493	181,492	189,143
December	1758	1786	2.00	182,069	189,207	178,800	185,673	1507	1369	-9.00	186,233	184,405	182,125	188,748
Total	22,143	23,954	8.00				185,673	25,593	26,750	5.00		188,748		188,748

The steady residential market in the overall area, the increasing desirability of the subject's submarket due to the approaching completion of I-485, and the potential of the Garden Parkway (also known as the US 29/74 Bypass) indicate that the lower density residential development envisioned by the phrase "rural residential" is an underutilization of the site. Traditional single-family development is considered more appropriate, although emerging data is unclear as to ultimate density for the excess vacant land. Given limited and declining markets for corporate facilities and the steady to modestly improved market for residential land, the highest and best use of the improved portion of the site is for integration into a development plan with the excess land. The improvements are most likely to be converted for use as a community or area amenity, such as a synagogue, mosque, or church, community center, childcare center, athletic center, school, or some combination of these uses.

Valuation Methodology and Analysis

In the prior report, the vacant land was valued by direct sales comparison as part of the cost approach. Similar methodology is applied in this update. The value of the land comprises the majority of overall value. The value of improvements is considered contributory. In the prior report, the contributory value of the improvements were established by the cost approach with secondary support from an analysis of improved sales. In this update, the secondary support is not performed in the valuation of the improvements and the cost approach is the sole methodology used.

Cost Approach

The cost approach requires a revision from the original report, first to introduce new market data for the land valuation, and secondly to reanalyze the contributory value of the improvements based upon updated replacement cost data and reanalysis of depreciation.

The prior report set forth ten land sales by which to evaluate the subject property. A search of the market reveals three sales that have occurred since the last appraisal. The details of these sales are presented below. These sales are considered in addition to the sales from the prior report.

In analyzing the sales, two separate value conclusions are required for the land. As noted previously, the client has requested the subject be evaluated based upon two separate maximum density thresholds. The thresholds are a maximum of 1,000 units and a maximum of 1,800 units. All other adjustments will be applied first, as they are the same under either threshold. Then, a separate analysis of the tract under each density threshold will be performed and a opinion of market value under each scenario derived.

The new comparables are detailed below:

LAND SALE NO. 1

Property Identification	
Record ID	3605
Property Type	Land, Vacant Land
Property Name	Dixie River Road
Address	9319-9335 Dixie River Road, Charlotte, Mecklenburg County, North Carolina
Tax ID	113-152-11
Sale Data	
Grantor	B. Scott Schrimsher
Grantee	Aubrey J. Elam, Rodney J. Elam, Tamara E. Mazzucco
Sale Date	August 10, 2001
Deed Book/Page	12545, 543
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Aubrey Elam, 704-423-9100
Sale Price	$600,000
Land Data	
Zoning	R-3, Residential
Topography	Rolling
Utilities	No sewer
Land Size Information	
Gross Land Size	45.563 Acres or 1,984,724 SF
Front Footage	Dixie River Road
Indicators	
Sale Price/Gross Acre	$13,169
Sale Price/Gross SF	$0.30

Remarks
This is one of two tracts that the Elam family added to their speculative holdings in the area. The house which is displayed on the tax assessment was split off and not included in the sale.

Exhibit B
Page 7

LAND SALE NO. 2

Property Identification	
Record ID	3606
Property Type	Land, Vacant Land
Property Name	Dixie River Road
Address	8124-8300 Dixie River Road, Charlotte, Mecklenburg County, North Carolina
Tax ID	141-142-09
Sale Data	
Grantor	Frank Brown and Wife, Josie
Grantee	Aubrey J. Elam, Rodney J. Elam, Tamara E. Mazzucco
Sale Date	August 10, 2001
Deed Book/Page	12545, 548
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Aubrey Elam, 704-423-9100
Sale Price	$550,000
Land Data	
Zoning	R-3, Residential
Topography	Rolling
Utilities	No sewer
Land Size Information	
Gross Land Size	57.887 Acres or 2,521,558 SF
Front Footage	Dixie River Road
Indicators	
Sale Price/Gross Acre	$9,501
Sale Price/Gross SF	$0.22

Remarks
This tract is actually two separate tax parcels, with two houses subdivided off and removed from the sale. It is one of two tracts that the Elam family added to their speculative holdings in the area.

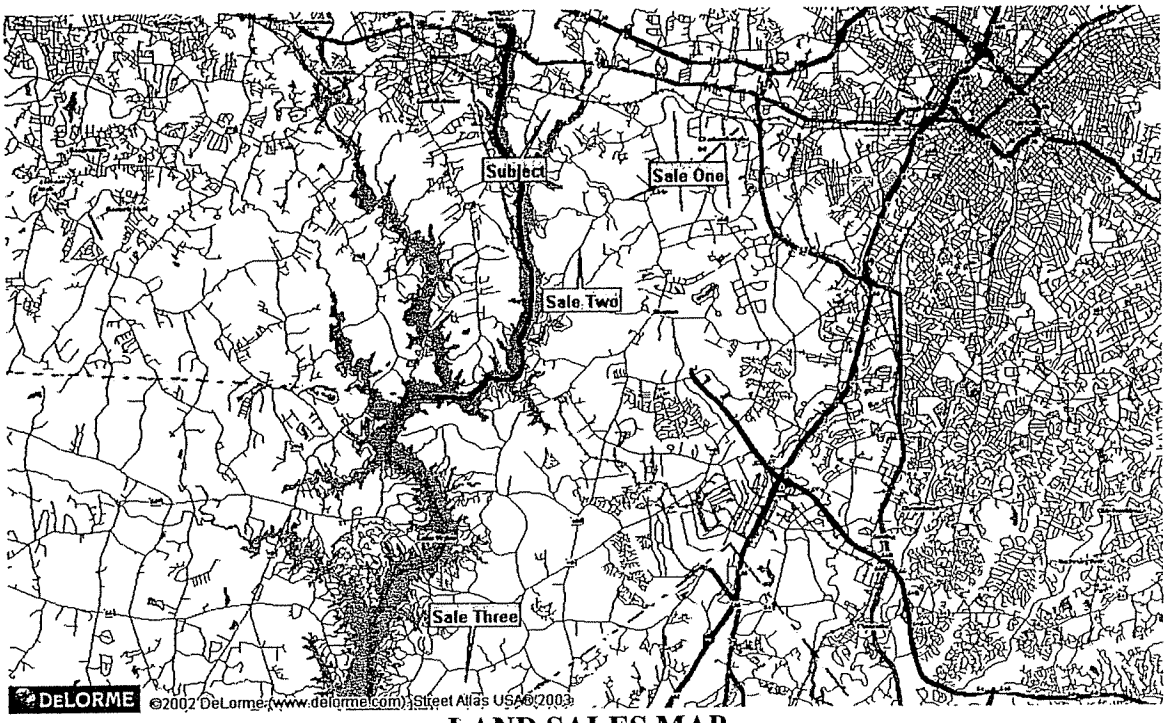
Exhibit B
Page 8

LAND SALE NO. 3

Property Identification	
Record ID	3607
Property Type	Land, Residential
Property Name	Residential Land
Address	McKee Road, Youngblood, Snug Harbor, Crosshaven, Charlotte, Mecklenburg County, North Carolina
Tax ID	217-061-01, 217-061-19, 217-071-19
Sale Data	
Grantor	Crescent Resources
Grantee	Timberlake Golf Club, LLC
Sale Date	December 18, 2002
Deed Book/Page	14573, 586
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Jim Short, 704-382-8009
Sale Price	$1,482,500
Land Data	
Zoning	R-3, Residential
Topography	Rolling
Utilities	No sewer
Land Size Information	
Gross Land Size	185.268 Acres or 8,070,274 SF
Indicators	
Sale Price/Gross Acre	$8,002
Sale Price/Gross SF	$0.18

Remarks

This is one of a number of tracts sold by Crescent. This is the largest of the tracts. Crescent also sold a 6.850-acre parcel on Crosshaven Drive, zoned R-5. In October 2002 for $180,000, which is $27,356 per acre. Additionally, Crescent sold a 3.386-acre parcel on Beeding Street, also zoned R-5, in July for $100,000, or $29,533 per acre. These last two sales represent rural homesites, to be served by septic tank, and are not directly comparable to the subject.



LAND SALES MAP

Discussion of Land Sales

A review of the land sales activity reveals that there appears to be a strong relationship between the size of the property and the per acre price, with additional premiums or discounts given due to access to the Catawba River or views of the Catawba River, near the proximity of water and sewer utilities, as well as topographical conditions. For example, Sale Ten in the prior report is a 27-acre tract of land at the north corner of Sam Wilson and Old Dowd Road. The former owner of that property considered it to be worth less than the rest of the Cytec and Cyanamid land holdings, due to the highly irregular topography. As an example of the influence of proximity of utilities upon sales prices, Sales Eight and Nine of the prior report are located along Moore's Chapel Road within a few hundred yards of one another. Sale Seven is located within a few hundred additional yards from Sale Eight. However, Sale Seven was situated virtually adjacent to existing subdivision development and had few problems obtaining additional connections for water and sewer.

The newest sales provide data which is generally in the range of the sales from the prior report. Sales One and Two are near one another, with Sale Two having a slightly inferior location. Sale Three is an interior site and also reflects the type of discount expected for a large sale. Overall, it is similar to the first two sales, particularly Sale Two.

Generally, area brokers indicate little, if any, premium provided for zoning. One local broker described the zoning patterns throughout the area as somewhat erratic. In fact, it appears that the zoning followed the actual land uses into the area. There are several large industrial users, who proceeded the general area development trends. Outside of these industrial users and properties immediately adjacent to them that carry an industrial or business zoning, the majority of the remaining acreage is zoned for residential development. Some of this residential zoning includes

mobile homes, with the vast majority relatively typical, single-family development zoning. This is generally low-density type residential development, as evidenced by the three new sales which are R-3, allowing 3 units per acre maximum. This density equates most directly to the subject assumed 1,800 unit density threshold (3.47 units per acre).

As previously described, the subject property consists of at least three tracts of land. There are two portions of land lying on the west side of Amos Smith Road. The second and most significant portion of land lies on the east side of Amos Smith Road. The two parcels on the east side of Amos Smith Road include the 12.33-acre site that is at the corner of Amos Smith Road and the Southern Railway right-of-way. This is a relatively rough parcel of land. The second parcel on the west side of Amos Smith Road is that parcel which is at the corner of Amos Smith Road and Bright Road. A large portion of this parcel is encumbered by a series of power line easements.

I have retained a more detailed analysis of the various sales in my files. However, in compliance with the summary reporting, it is my conclusion that the comparative analysis indicates that the superior portion of the excess property lies on the east side of Amos Smith Road, south of the access road, and north of the frontage on the Paw Creek section of the Catawba River. This section is identified by this report as approximately 153.5 acres of the 354.5-acre tract located on the east side of Amos Smith Road. This land is superior to interior residential land sales. However, it is much larger and has a rough topography. Based on an analysis of the sales, I have estimated that this land portion has a contributing value of $12,500 per acre.

The portion lying north of the access road and west of the 125 acres allocated to the training center has, in my opinion, a lower value. Without the river frontage, it is likely that this portion would be developed for medium to large size, single-family housing. However, it lacks the desirability of the site's having river frontage or river access. Based on comparable sales, I believe a reasonable allocation of $8,000 per acre is appropriate.

That portion of excess land located on the west side of Amos Smith Road and also fronting a small portion of the Catawba River, where the right-of-way passes, would have a contributing value of $10,000 per acre. This portion of the property represents approximately 112 of the 151.57 acres. That portion of the excess land south of Bright Road and north of the access easement to the Stover Pearson property constituted approximately 40 acres. Based on interior land sales, the contributing value of this portion of the site has been estimated at $8,000 per acre. That portion of the site that is allocated to the training center is approximately 125 acres. It is the easternmost portion of the property and fronts a portion of Lake Wylie, as well as the Southern Railway right-of-way. Based on an analysis of the sales, this portion of the site is estimated to have a contributing value of $8,000 per acre.

Finally, the parcel which is located at the corner of Amos Smith Road and the railroad right-of-way consists of 12.33 acres. This acreage is very rough, similar to Sale Ten. However, it lacks the high visibility and access of Sale Ten. Based on an analysis of the sales, a contributing value of $6,000 per acre has been allocated to this portion of the site.

The contributing value of the various parcels can therefore be shown as follows:

Acres			Value per Acre		Based on 1,800 Maximum Units
153.5	Acres	x	$ 12,500/Acre	=	$1,918,750
76	Acres	x	$ 8,000/Acre	=	$ 608,000
111.57	Acres	x	$ 10,000/Acre	=	$1,115,700
40	Acres	x	$ 8,000/Acre	=	$ 320,000
125	Acres	x	$ 8,000/Acre	=	$1,000,000
12.33	Acres	x	$ 6,000/Acre	=	$ 73,980
518.4	Acres				$5,036,430

The data within the subject's area is too limited to perform an analysis of the impact of lessened density upon market value. The general assumption is that lowered density results in lowered value on a "maximum per unit allowed" basis. Secondary data is examined to perform this evaluation. This secondary data appears to support the contention that reduced density in active markets results in reduced value.

In order to prepare an analysis, it is necessary to focus upon highly active residential land markets. This provides a sufficient amount of data for analysis. Upon examination of several potential secondary markets, the analysis is narrowed to target areas with similar topography and locational influences. Ultimately, the best source of secondary data for analysis of density is found to be the active market along Rea Road. Similarly sized and located sales from tax map 229 are arrayed based upon their planned densities. The lowest sale price is $10,000 per unit, and is also the highest density, that being a 10.7 units per acre. The inference is that a 56.5% decline in allowed density results in a 37.5% decline in per unit value. Each 1.5% decline in allowed maximum density results in 1% decline in per unit value. Thus, the subject's 44% decline in potential density from 1,800 units to 1,000 units results in a 33% reduction in per unit value.

As a check, I discussed the scenario with John Cassell of MDC Homes, a locally based single-family homebuilding firm. Mr. Cassell indicates that, for readily developable tracts within their density requirements of 4 to 8 units per acre, his rule of thumb is that each additional unit per acre allowed adds the equivalent value of half the percentage increase (50%). Thus, a tract which allows 5 units per acre is roughly 12.5% more valuable than a tract allowing 4 units per acre. The inverse is a 10% decrease. Based upon this rule of thumb, the 1,800 unit maximum is 22% less valuable than per unit than the 1,000 unit per acre maximum. The percentage increase is calculated as 44%, or (1,800 – 1,000) / 1,800 = 44%. Half that percentage increase is 22%.

Both methods are given weight, and a concluded adjustment of –27.5% is selected as a mid-point between the market extracted reduction of 33% and the rule-of-thumb reduction of 22%.

An additional consideration is the impact of the sewer restrictions. As previously mentioned, the Cornerstone Development (the proposed purchaser), has a land plan which includes five on-site lift stations, whereas CMUD indicates they will only allow two, one of which would be offsite. The CMUD restrictions will have a measurable effect on property value because of net increase to development cost because of 1) the added cost of acquiring the offsite parcel and, 2) substituting a low-pressure gravity line fed by individual grinder units. Cornerstone indicates that

such a system is less desirable and is not acceptable to "national" builders. In order to evaluate the validity of this concern, we contacted representatives of MDC Homes in Charlotte and Cambridge Homes in Jacksonville, Florida. Both representatives indicated that, without more knowledge, the low-pressure system in itself would not automatically result in the elimination of their firms from contracting for lots in a subdivision. However, it is a negative influence and, depending upon the home and lot prices, competition, and alternative developments, could result in the elimination of a development for their purposes. The lowered appeal of the subdivision to national homebuilders is considered a factor which increases the risk of the development, but not necessarily prices or absorption. Typical discount rates applied to a subdivision analysis at this time range from 15% to 25%, or about 20% on average. An gereous increment for the added risk due to the inferior sewer system is a 2.5% increment over the typical discount rate. This risk premium reflects a direct reduction in property value.

The issues of road expansion are typical costs associated with development and reflected in the land sales. The sewer and roadway limitations supercede the limitation created by zoning because, while greater density could possibly be legally permissible, it is not financially feasible. It follows that the value of the site based upon the 1,000 maximum dwelling units density is the value for 1,800 units ($5,036,340) less 27.5% reduction for lowered density and 2.5% required additional return for inferior sewer, a total of 30%. This equates to $3,525,501, calculated as $5,036,430 X (1 – 0.30) = $3,525,501.

Therefore the concluded land value for the subject property is:

Estimated Market Value of Land: 1,800 Maximum Allowed Density -$5,036,430
Estimated Market Value of Land: 1,000 Maximum Allowed Density -$3,525,501

Improvement Valuation

As in the prior report, in order to estimate the contributing value of the improvements in the cost approach, the appraiser has the option of using reproduction cost new or replacement cost new. Using reproduction cost new would involve replicating the exact improvements as they now exist. Replacement cost would replace the existing improvements with materials and workmanship of current utility. Further, replacement cost would not include any superadequacies or functionally obsolete components of the improvements.

Superadequacies

As with the prior report, the replacement cost new of superadequacies is excluded in the letter update. It should be noted that the building shell and the upfit for the building have been included in my analysis and I have not included any cost for the warehouse, storage, or vehicle/equipment shop as they are superadequacies not recognized in the market.

Direct Cost

Direct costs have been updated since the prior report and equate to $41.00 per square foot. This base cost of about $35.00 per square foot for the shell has been confirmed with local contractors. Typical upfit charges have been included at $15.00 per square foot.

The estimated cost for parking has been included at $700 per space for the estimated 140 spaces needed. Again, there has been no inclusion for the excess parking.

Indirect Cost

Indirect costs are essentially unchanged from the prior report, except that the percentage calculation for contingency is recalculated and the estimate for real estate taxes has been increased to $2,000.

Developer Profit

The developer's (or entrepreneur's) profit remains at 10%.

Depreciation

A straight-line method of depreciation has been used in my analysis. However, the likelihood of a change in use and the declining market for corporate facilities has resulted in a lowering of the perceived economic life for the improvement. In the age/life technique, one considers the effective age of the property divided by the property's remaining economic life in order to determine the amount of accrued depreciation. The improvements were constructed in 1988 and, thus, are about fifteen years old. The effective age of the building is probably slightly less than its actual age because it has been extremely well maintained. Using an effective age of 14 years and a remaining economic life of 31 years, the implied accrued depreciation is 31%. The estimated life expectancy of a building similar to the subject is about 45 to 50 years, according to *Marshall Valuation Service*. I have used 45 years.

As in the prior report, there is no deduction for functional or external obsolescence.

Because we have not included any construction cost for certain components of the building and the excess parking, there is no functional obsolescence. Further, we do not believe there is any external obsolescence with the exception of the possibility that this remote location might command a somewhat reduced rental rate if the property were rented. Because it is likely that it will be an owner-occupied facility, I have not included any external obsolescence in this analysis.

The final step in the cost approach is adding the value of the land to the depreciated value of the improvements and the inclusion of any depreciated site improvements. In the following summary table, I have included $90,000 for various site improvements including landscaping, plantings, erosion control drainage, and other site features. A significant portion of the access drive has been allocated to the land value that is considered excess land. It has not been included in this $90,000 allocation.

Summary of the Cost Approach

Based upon the preceding, the contributory value of the improvements is concluded to be $1,563,101. The two land density scenarios result in conclusions of $6,600,000 at 1,800 units and $5,089,000 at 1,000 units.

COST APPROACH SUMMARY
Duke Power- Lake Wylie Training Center
Charlotte ETJ, Mecklenburg County, North Carolina

DIRECT COSTS						
Item	**Units**		**Cost/Unit**	**Direct Cost**		
Building Shell	31,610	SF	$41	$1,296,010		
Building Upfit	31,610	SF	$15	$474,150		
Warehouse/Storage	1,863	SF	Not Included	$0		
Vehicle Equipment/Shop	2,652	SF	Not Included	$0		
Adequate Parking	140	Spaces	$700	$98,000		
Total Direct Costs					**$1,868,160**	
INDIRECT COSTS						
Insurance				$10,000		
Contingency 2%				$37,363		
Real Estate Taxes (Land Only)				$2,000		
Appraisal/ Professional Fees				$15,000		
Total Indirect Costs					**$64,363**	
TOTAL DIRECT & INDIRECT COSTS						**$1,932,523**
ENTREPRENEURIAL INCENTIVE	**10%**				**$214,725**	
REPLACEMENT COST NEW						**$2,147,248**
DEPRECIATION						
Physical Curable Depreciation						
Misc.				$0		
Physical, Incurable Depreciation						
Year Built				1988		
Effective Age				14		
Remaining Economic Life				31		
Estimated Life Expectancy				45		
Accrued Deterioration				31%		
Calculated:						
Direct Cost (less deferred maint)				$1,868,160		
Plus: % Indirect Cost				$279,088		
Total Proportionate Cost				$2,147,248		
Estimated Incurable Physical Deterioration						
(Proportionate Cost X Accrued Deterioration)				($665,647)		
Functional Obsolescence, Curable				$0		
Economic Obsolescence				($8,500)		
Total Depreciation					**($674,147)**	
Total Depreciated Value of Improvements						**$1,473,101**
ADD: Depreciated Site Improvements						**$90,000**
Subtotal						**$1,563,101**
LAND VALUE						
Land Value at 1,800 Allowed Units	518 400	22,581,504	$9,715 335			**$5,036,430**
						$6,599,531
OPINION OF VALUE BY THE COST APPROACH -1,800 Unit Density					**(Rounded)**	**$6,600,000**
LAND VALUE						
Land Value at 1,000 Allowed Units	518 400	22,581,504	$6,800 735			**$3,525,501**
						$5,088,602
OPINION OF VALUE BY THE COST APPROACH -1,000 Unit Density					**(Rounded)**	**$5,089,000**

Based on our inspection and analysis of the information obtained, it is our opinion that the market value "as is" of the fee simple interest in the property, assuming a maximum of 1,800 permitted dwelling units, as of April 4, 2003, is:

$6,600,000
(Six Million Six Hundred Thousand Dollars)

Based on our inspection and analysis of the information obtained, it is our opinion that the market value "as is" of the fee simple interest in the property, assuming a maximum of 1,000 permitted dwelling units, as of April 4, 2003, is:

$5,089,000
(Five Million Eighty Nine Thousand Dollars)

We certify that we have no present or contemplated future interest in the property appraised, and that our fee for this assignment is in no way contingent upon the opinion of value concluded.

This is a Complete Appraisal, Summary Report, which complies with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). As such, it presents only summary discussions of the data, reasoning, and analyses that are used in the appraisal process to develop the appraisers' opinion of value. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.

Thank you for the opportunity to be of service, and if you have any questions or comments, please contact our office.

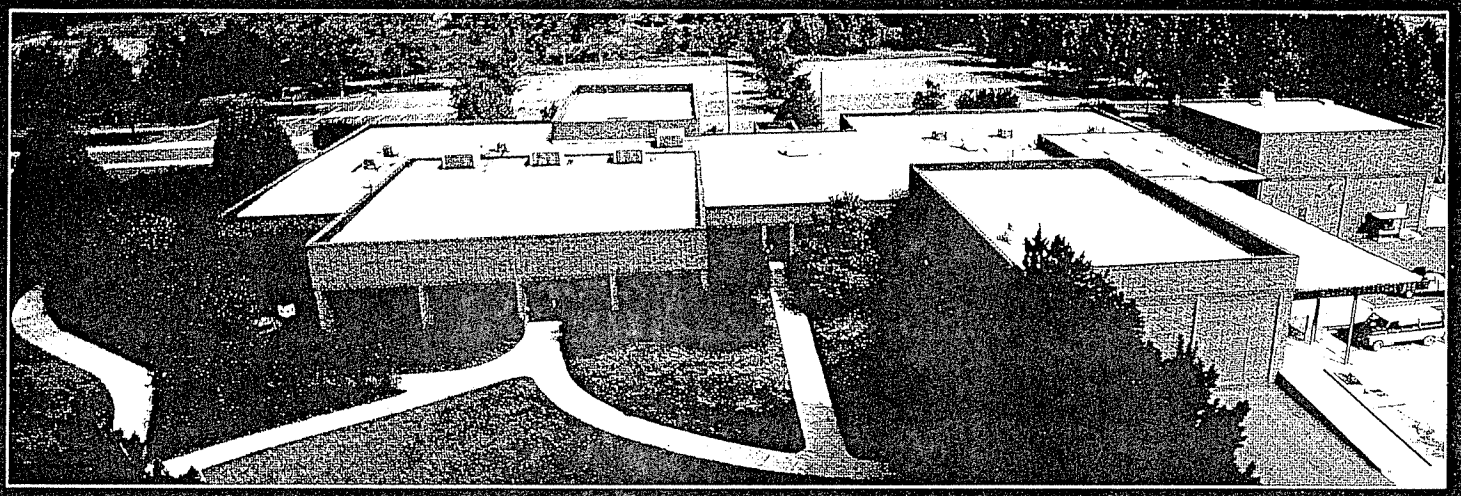
Sincerely yours,

T.B. HARRIS, JR. & ASSOCIATES, INC.

Mark W. Galleshaw, MAI
Appraiser

Thomas B. Harris, Jr., MAI
Review Appraiser

Fantastic, one-story, fully air-conditioned 34,800 sq. ft. office facility on 20 acres in Charlotte, North Carolina



AMENITIES:
- 3,300 sq. ft. storage area
- 2,820 sq. ft. air-conditioned lunchroom
- 80' covered dock-height loading area with ramp and leveler
- Completely gated property
- Complete security and fire alarm systems
- Emergency generator

TECHNOLOGY:
Equipped to accommodate the latest technology, with digital system capabilities and extensive data cabling

OFFICE SPACE:
Building features include architectural utility brick and insulated glass walls, carpeted and VCT floors, acoustical tile ceilings, combination of open plan and private offices, lobby and reception areas, assembly room and conference rooms

LOCATION:
Minutes to Interstate 85 with direct access to Charlotte-Douglas International Airport

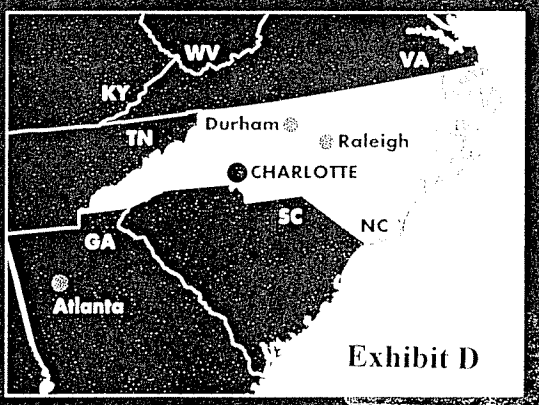


Exhibit D

FOR COMPLETE DETAILS CONTACT:

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RMA 9/99 0013

INTEGRA Realty Resources
CHARLOTTE

April 14, 2003

Mr. Tony Maye
Facility and Real Estate Services
Duke Energy Corporation
P.O. Box 234
Wingate, North Carolina 28174

SUBJECT: Market Value Appraisal
Lake Wylie Training Center and 518.4 acres
5101 Amos Smith Road
Mecklenburg County
North Carolina 28214
Integra Charlotte File No. 105-2003-0128

Dear Mr. Maye:

Integra Realty Resources - Charlotte is pleased to transmit the self-contained report of a complete appraisal that was prepared on the referenced property. The purpose of this appraisal is to develop an opinion of the market value of the fee simple estate of the property under two hypothetical development scenarios as of April 7, 2003, the effective date of the appraisal. The subject property is currently zoned Institutional – Conditional. The Charlotte – Mecklenburg Planning Commission is proposing higher levels of residential development for this area of Charlotte. Rezoning the subject for residential development is consistent with Planning Commissions recommendations for the area. Based on a prior development and the most likely alternative development proposal we have determined market value for both hypothetical development plans. The first hypothetical scenario, Scenario One, assumes a residential density of 1,875 units as proposed by Cornerstone Development. The second hypothetical scenario, Scenario Two, assumes a residential density of 1,000 units. Both scenarios include the training center and 10 acres as a separate value. The attached report sets forth the data, research, analyses, and conclusions for this appraisal.

This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the *Uniform Standards of Professional Appraisal Practice (USPAP)* for a self-contained appraisal report. The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal as noted herein.
The property consists of approximately 518.4 acres of land and a one-story, masonry and steel training center containing 34,577 square feet of gross building. There are several other ancillary buildings that are considered to have no contributing value. Building plans for the

1919 South Boulevard, Suite 102 ▪ Charlotte, NC 28203 ▪ Phone: 704-376-0295 ▪ Fax: 704-342-3704 ▪ Email: fstout@irr.com

training center were not available. Consequently, the building areas set forth on the tax records have been used and are assumed to be correct. The land area of 518.4 acres as stated on the boundary survey dated October 4, 1984 was used in this report, but was slightly different from the land area set forth on the tax records at 511.71 acres. We reserve the right to revise this report if a current survey and site plan reflects areas significantly different than what was used in this report.

Based on the analyses and conclusions in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed therein, it is our opinion that the market values of the fee simple estate of the property, under each hypothetical development scenario, as of April 7, 2003, are:

Description	Scenario One (1,875 Residential Units)	Scenario Two (1,000 Residential Units)
508.4 Acres – Vacant Land	$6,100,000	$4,910,000
Training Center and 10 Acres	$1,380,000	$1,380,000
Total Value	$7,480,000	$6,290,000

In consideration of the location, existing infrastructure and cost to increase the density of development, Scenario Two is the most probable, and likely, hypothetical development scenario to be approved at the present time. It is our conclusion that this plan would represent the highest and best use of the property to achieve a marketing time of one year.

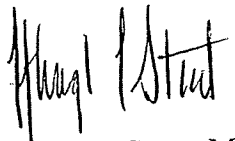
The preceding value conclusions are subject to the following Extraordinary Assumption and Hypothetical Condition:

1. The subject property is currently zoned INST-CD. We have assumed that the property could be rezoned to permit residential development at densities of approximately 1,875 dwelling units or 1,000 units.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - CHARLOTTE



Fitzhugh L. Stout, MAI, CRE
State Certified General
Real Estate Appraiser
NC # A1093; SC # CG1790

FLS:bmb