266584

Laura Bateman
Carolinas Rates & Regulatory Strategy
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August 31st, 2016

Jocelyn Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
Post Office Drawer 11649
101 Executive Center Drive, Suite 100
Columbia, SC 29211

Dear Mrs. Boyd:

Enclosed per Docket No. 1988-11-E is the quarterly report of Duke Energy Progress, LLC for the twelve months ending June 30th, 2016. Debt coverage ratio of earnings to Fixed Charges was 3.68 for this time period.

The Certification of Steven K. Young, Executive Vice President & Chief Financial Officer, will be mailed under separate cover.

Please feel free to contact me at 919.546.3324 if you have any questions.

Sincerely,

Laura Bateman
Carolinas Rates & Regulatory Strategy
Duke Energy

Enclosures:

pc: Ms. Dawn Hipp, Director Utilities, Safety & Transporation
Office of Regulatory Staff
Mr. Willie Morgan, Deputy Director Utilities Rates
Office of Regulatory Staff

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CERTIFICATION

(Certification must be signed by the Chief Executive Officer and the Chief Financial Officer)

I, Lynn J. Good, state and attest, under penalty of perjury, that the attached South Carolina Quarterly Report is filed on behalf of Duke Energy Progress, LLC, as required by the Public Service Commission of South Carolina; that I have reviewed said report and, in the exercise of due diligence, have made reasonable inquiry into the accuracy of the information and representations provided therein; and that, to the best of my knowledge, information, and belief, all information contained therein is accurate and true and contains no false, fictitious, fraudulent or misleading statements; that no material information or fact has been knowingly omitted or misstated therein, and that all information contained therein has been prepared and presented in accordance with all applicable South Carolina general statutes, Commission rules and regulations, and applicable Commission Orders. Any violation of this Certification may result in the Commission initiating a formal earnings review proceeding.

Signature

Lynn J. Good
Typed or Printed Name of Person Signing

President, CEO & Chair of BOD
Title

8/29/16
Date Signed

Subscribed and sworn to before me this 29th day of August, 2016.

Notary Public

My Commission Expires: 11/16/17

Duke Energy Progress
Electric Operating Experience - Total Company & SC Retail
12 Months Ended June 30, 2016
Dollars in Thousands

Line No.	Description	Total Company Regulatory Per Books	Total Company Pro-Forma Adjustments	Total Company As Adjusted	SC Retail Regulatory Per Books	SC Retail Pro-Forma Adjustments	SC Retail As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		$	$	$	$	$	$
1	Operating Revenues	$ 5,139,182	$ (167,428)	$ 4,971,754	$ 523,919	$ (26,888)	$ 497,031
2	Operating Expenses						
3	O&M Expenses - Fuel	1,464,587	-	1,464,587	145,662	-	145,662
4	Purchased Power and Net Interchange	411,863	-	411,863	41,984	-	41,984
5	Wages, Benefits, Materials, etc.	1,435,162	(91,119)	1,344,042	151,075	(12,950)	138,125
6	Depreciation & Amortization Expenses	622,366	76,534	698,900	57,910	7,096	65,006
7	Taxes Other Than Income	150,523	1,410	151,933	18,101	(130)	17,971
8	Income Taxes	297,909	(46,762)	251,147	31,261	(6,548)	24,712
9	Investment Tax Credit	(5,998)	-	(5,998)	(608)	-	(608)
10	Total Operating Expenses (Sum L3 through L9)	$ 4,376,412	$ (59,937)	$ 4,316,475	$ 445,384	$ (12,532)	$ 432,852
11	Operating Return (L1 - L10)	$ 762,770	$ (107,491)	$ 655,279	$ 78,536	$ (14,357)	$ 64,179
12	Customer Growth	4,948	(697)	4,251	154	(28)	126
13	Interest on Customer Deposits (Before Taxes)	9,322	-	9,322	694	-	694
14	Total Income for Return (L11 + L12 - L13)	$ 758,396	$ (108,188)	$ 650,208	$ 77,996	$ (14,385)	$ 63,611
15	Rate Base						
16	Plant in Service	$ 24,038,181	$ 216,050	$ 24,254,232	$ 2,549,220	$ 14,982	$ 2,564,203
17	Reserve for Depreciation	(10,853,517)	9,302	(10,844,215)	(1,174,702)	3,191	(1,171,511)
18	Net Plant (L16 + L17)	13,184,664	225,353	13,410,017	1,374,518	18,173	1,392,692
19	Construction Work in Progress	-	834,329	834,329	-	88,624	88,624
20	Other Rate Base	(110,188)	-	(110,188)	(11,451)	-	(11,451)
21	Total Working Capital	1,100,567	(459,949)	640,618	159,308	(55,347)	103,961
22	Materials & Supplies	1,490,503	(84,829)	1,405,675	155,454	(8,801)	146,653
23	Accumulated Deferred Income Taxes	(3,079,565)	341,856	(2,737,709)	(339,874)	41,287	(298,587)
24	Total Rate Base (L18+L19+L20+L21+L22+L23)	$ 12,585,981	$ 856,760	$ 13,442,741	$ 1,337,956	$ 83,936	$ 1,421,892
25	Rate of Return (L14 divided by L24)	6.03%		4.84%	5.83%		4.47%
26	Return on Equity	7.61%		5.45%	7.26%		4.79%

Duke Energy Progress
Electric Accounting & Pro Forma Adjustments - Total Company
12 Months Ended June 30, 2016
Dollars in Thousands

Adj. No.	Description	Revenues	O&M Expenses Fuel	O&M Expenses Purch. Power	O&M Expenses Other	Deprec. & Amort. Expense	Taxes Other Than Income	Interest on Customer Deposits	Investment Tax Credit	Income Taxes @	Operating Income
1	Normalize O&M Labor Costs	$ -	$ -	$ -	$ (983)	$ -	$ -	$ -	$ -	$ 376	$ 607
2	Update for increased/decreased benefits costs	-	-	-	(2,532)	-	-	-	-	969	1,564
3	Annualize depreciation on year end plant balances	-	-	-	-	38,579	-	-	-	(14,757)	(23,823)
4	Adjust the amount of EPIS in rate base	-	-	-	-	11,697	-	-	-	(4,474)	(7,223)
5	Adjust the Amount of CWIP in Rate Base	-	-	-	-	-	-	-	-	-	-
6	Annualize property taxes on year end plant balances	-	-	-	-	-	2,287	-	-	(875)	(1,412)
7	Eliminate prior period taxes	-	-	-	-	-	-	-	-	12,494	(12,494)
8	Eliminate SFAS 109	-	-	-	-	-	-	-	-	-	-
9	Adjust Fuel Stock	-	-	-	-	-	-	-	-	-	-
10	Eliminate DSM, EE, DSDR Impacts	(148,831)	-	-	(87,604)	26,258	(877)	-	-	(34,035)	(52,573)
11	Adjust income taxes to synchronize interest expense for the adjusted test period rate base	-	-	-	-	-	-	-	-	653	(653)
12	Eliminate Program Performance Incentives	(18,597)	-	-	-	-	-	-	-	(7,113)	(11,484)
											-
13	TOTAL - ALL PRO FORMAS	$ (167,428)	$ -	$ -	$ (91,119)	$ 76,534	$ 1,410	$ -	$ -	$ (46,762)	$ (107,491)

Adj. No.	Description	Plant in Service	Accum. Deprec.	CWIP	Other Rate Base	Total Working Capital	Materials & Supplies	ADIT	Rate Base
1	Normalize O&M Labor Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Update for increased/decreased benefits costs	-	-	-	-	-	-	-	-
3	Annualize depreciation on year end plant balances	-	(38,579)	-	-	-	-	-	(38,579)
4	Adjust the amount of EPIS in rate base	431,505	(11,697)	-	-	-	-	-	419,809
5	Adjust the Amount of CWIP in Rate Base	-	-	834,329	-	-	-	-	834,329
6	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-
7	Eliminate prior period taxes	-	-	-	-	-	-	-	-
8	Eliminate SFAS 109	-	-	-	-	(198,660)	-	198,660	-
9	Adjust Fuel Stock	-	-	-	-	-	(84,829)	-	(84,829)
10	Eliminate DSM, EE, DSDR Impacts	(215,455)	59,578	-	-	(249,899)	-	143,197	(262,579)
11	Adjust income taxes to synchronize interest expense for the adjusted test period rate base	-	-	-	-	-	-	-	-
									-
12	Eliminate Program Performance Incentives	-	-	-	-	-	-	-	-
13	1/8 O&M adjustment					(11,390)			(11,390)
14	TOTAL - ALL PRO FORMAS	$ 216,050	$ 9,302	$ 834,329	$ -	$ (459,949)	$ (84,829)	$ 341,856	$ 856,760

Duke Energy Progress
Electric Accounting & Pro Forma Adjustments - SC Retail Electric
12 Months Ended June 30, 2016
Dollars in Thousands

Adj. No.	Description	Revenues	O&M Expenses Fuel	O&M Expenses Purch. Power	O&M Expenses Other	Deprec. & Amort. Expense	Taxes Other Than Income	Interest on Customer Deposits	Investment Tax Credit	Income Taxes @	Operating Income
1	Normalize O&M Labor Costs	$ -	$ -	$ -	$ (102)	$ -	$ -	$ -	$ -	$ 39	$ 63
2	Update for increased/decreased benefits costs	-	-	-	(269)	-	-	-	-	103	166
3	Annualize depreciation on year end plant balances	-	-	-	-	4,098	-	-	-	(1,567)	(2,531)
4	Adjust the amount of EPIS in rate base	-	-	-	-	1,242	-	-	-	(475)	(767)
5	Adjust the Amount of CWIP in Rate Base	-	-	-	-	-	-	-	-	-	-
6	Annualize property taxes on year end plant balances	-	-	-	-	-	243	-	-	(93)	(150)
7	Eliminate prior period taxes	-	-	-	-	-	-	-	-	1,283	(1,283)
8	Eliminate SFAS 109	-	-	-	-	-	-	-	-	-	-
9	Adjust Fuel Stock	-	-	-	-	-	-	-	-	-	-
10	Eliminate DSM, EE, DSDR impacts	(24,367)	-	-	(12,578)	1,756	(373)	-	-	(5,039)	(8,133)
11	Adjust income taxes to synchronize interest expense for the adjusted test period rate base	-	-	-	-	-	-	-	-	165	(165)
12	Eliminate Program Performance Incentives	(2,521)	-	-	-	-	-	-	-	(964)	(1,557)
13	Reallocation adjustment	-	-	-	-	-	-		-	-	-
14	TOTAL - ALL PRO FORMAS	$ (26,888)	$ -	$ -	$ (12,950)	$ 7,096	$ (130)	$ -	$ -	$ (6,548)	$ (14,357)

Adj. No.	Description	Plant in Service	Accum. Deprec.	CWIP	Other Rate Base	Total Working Capital	Materials & Supplies	ADIT	Rate Base
1	Normalize O&M Labor Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Update for increased/decreased benefits costs	-	-	-	-	-	-	-	-
3	Annualize depreciation on year end plant balances	-	(4,098)	-	-	-	-	-	(4,098)
4	Adjust the amount of EPIS in rate base	45,835	(1,242)	-	-	-	-	-	44,593
5	Adjust the Amount of CWIP in Rate Base	-	-	88,624	-	-	-	-	88,624
6	Annualize property taxes on year end plant balances	-	-	-	-	-	-	-	-
7	Eliminate prior period taxes	-	-	-	-	-	-	-	-
8	Eliminate SFAS 109	-	-	-	-	(21,102)	-	21,925	823
9	Adjust Fuel Stock	-	-	-	-	-	(8,801)	-	(8,801)
10	Eliminate DSM, EE, DSDR impacts	(30,853)	8,532	-	-	(32,626)	-	19,362	(35,586)
11	Adjust income taxes to synchronize interest expense for the adjusted test period rate base	-	-	-	-	-	-	-	-
12	Eliminate Program Performance Incentives	-	-	-	-	-	-	-	-
13	1/8 O&M adjustment					(1,619)			(1,619)
14	Reallocation adjustment	-	-		-	-	-	-	-
15	TOTAL - ALL PRO FORMAS	$ 14,982	$ 3,191	$ 88,624	$ -	$ (55,347)	$ (8,801)	$ 41,287	$ 83,936

Duke Energy Progress
Statement of Fixed Assets - Electric
12 Months Ended June 30, 2016
Dollars in Thousands

Line No.	Description	Total Company Per Books	Total Company Adjustments	Total Company As Adjusted	SC Retail Per Books	SC Retail Adjustments	SC Retail As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		$	$	$	$	$	$
	Gross Plant in Service						
1	Production	$ 14,936,751	$ 315,933	$ 15,252,684	$ 1,586,609	$ 33,559	$ 1,620,168
2	Transmission	2,385,544	67,817	2,453,361	249,237	7,204	256,441
3	Distribution	5,691,379	(195,537)	5,495,842	604,549	(28,737)	575,811
4	General	594,202	14,357	608,559	63,117	1,525	64,642
5	Intangible Plant	399,463	13,480	412,943	42,432	1,432	43,864
6	Common	-	-	-	-	-	-
7	Subtotal	$ 24,007,339	$ 216,050	$ 24,223,389	$ 2,545,944	$ 14,982	$ 2,560,926
8	Plant Held for Future Use	30,842	-	30,842	3,276	-	3,276
9	Total Gross Plant in Service	$ 24,038,181	$ 216,050	$ 24,254,232	$ 2,549,220	$ 14,982	$ 2,564,203
	Construction Work in Progress						
10	Production	$ -	$ 620,469	$ 620,469	$ -	$ 65,907	$ 65,907
11	Transmission	-	83,986	83,986	-	8,921	8,921
12	Distribution	-	80,501	80,501	-	8,551	8,551
13	General	-	12,931	12,931	-	1,374	1,374
14	Intangible	-	36,442	36,442	-	3,871	3,871
15	Total Construction Work in Progress	$ -	$ 834,329	$ 834,329	$ -	$ 88,624	$ 88,624

Duke Energy Progress
Reserve for Depreciation - Electric
12 Months Ended June 30, 2016
Dollars in Thousands

Line No.	Description	Total Company			SC Retail		
		Per Books	Adjustments	As Adjusted	Per Books	Adjustments	As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		$	$	$	$	$	$
1	Production	$ (6,742,681)	$ (44,873)	$ (6,787,554)	$ (738,219)	$ (4,767)	$ (742,986)
2	Transmission	(776,904)	(1,325)	(778,229)	(82,347)	(141)	(82,487)
3	Distribution	(2,850,732)	57,138	(2,793,594)	(302,810)	8,272	(294,538)
4	General	(224,762)	1,059	(223,703)	(23,875)	112	(23,762)
5	Intangible Plant	(258,438)	(2,696)	(261,134)	(27,452)	(286)	(27,738)
6	Common	-	-	-	-	-	-
7	Subtotal	$ (10,853,517)	$ 9,302	$ (10,844,215)	$ (1,174,702)	$ 3,191	$ (1,171,511)
8	Total Reserve for Depreciation	$ (10,853,517)	$ 9,302	$ (10,844,215)	$ (1,174,702)	$ 3,191	$ (1,171,511)

Duke Energy Progress
Other Rate Base - Electric
12 Months Ended June 30, 2016
Dollars in Thousands

Line No.	Description	Total Company			SC Retail		
		Per Books	Adjustments	As Adjusted	Per Books	Adjustments	As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		$	$	$	$	$	$
1	Operating Reserves	$ (110,188)	$ -	$ (110,188)	$ (11,451)	$ -	$ (11,451)
2							
3							
4							
5							
6							
7							
8							
9	Total Other Rate Base	$ (110,188)	$ -	$ (110,188)	$ (11,451)	$ -	$ (11,451)

Duke Energy Progress
Total Working Capital - Electric
12 Months Ended June 30, 2016
Dollars In Thousands

Line No.	Description	Total Company Per Books	Total Company Adjustments	Total Company As Adjusted	SC Retail Per Books	SC Retail Adjustments	SC Retail As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		$	$	$	$	$	$
1	Twelve Month O&M Expenses	$ 2,872,517	$ (91,119)	$ 2,781,397	$ 293,911	$ (12,950)	$ 280,962
2	Working Cash (1/8 of O&M Expenses on Line 1)	359,065	(11,390)	347,675	36,739	(1,619)	35,120
3	Accrued Utility Revenue	123,910		123,910	15,206		15,206
4	Prepayments	64,114		64,114	6,681		6,681
5	Total Investor Advanced Funds	$ 547,088	$ (11,390)	$ 535,698	$ 58,625	$ (1,619)	$ 57,006
6	Customer Deposits	(142,623)		(142,623)	(20,138)		(20,138)
7	Average Tax Accruals	(39,806)		(39,806)	(4,148)		(4,148)
8	Working Capital Other						
9	Unamortized Debt Expense	45,237	-	45,237	4,805	-	4,805
10	SFAS 109	198,660	(198,660)	-	21,102	(21,102)	-
11	SFAS 158 Pension	357,882	-	357,882	37,193	-	37,193
12	REPS Deferral	(69,965)	-	(69,965)	-	-	-
13	End of Life Reserves	(24,883)	-	(24,883)	-	-	-
14	GridSouth Deferral	3,676	-	3,676	3,676	-	3,676
15	PSNC Pipeline Deferral	532	-	532	51	-	51
16	NCDT Overfund - SC	(8,610)	-	(8,610)	(8,610)	-	(8,610)
17	Emission Allowance Proceeds	(4,928)	-	(4,928)	-	-	-
18	Design Basis	13,488	-	13,488	1,305	-	1,305
19	Mayo Amortization - Wh	507	-	507	-	-	-
20	Customer Advances for Construction	(18,468)	-	(18,468)	(2,422)	-	(2,422)
21	DSM	249,899	(249,899)	(0)	32,626	(32,626)	(0)
22	SC Pollution Control Deferral	34,693	-	34,693	34,693	-	34,693
23	DOE Refund	(5,523)	-	(5,523)	-	-	-
24	Sale of Harris Land Deferral	(2,951)	-	(2,951)	-	-	-
25	Rate Case Costs	1,142	-	1,142	-	-	-
26	Coal Inventory Rider	61	-	61	-	-	-
27	Fukushima SC Deferral	4,543	-	4,543	4,543	-	4,543
28	COR Settlement	20,000	-	20,000	-	-	-
29	NC Tax Rate Change	(119,922)	-	(119,922)	(29,924)	-	(29,924)
30	Pole Attach - Deferred Revenue	(1,944)	-	(1,944)	(188)	-	(188)
31	Storm Deferral	14,713	-	14,713	14,713	-	14,713
32	Other Investments	547	-	547	58	-	58
33	Misc Special Deposits	-	-	-	-	-	-
34	NCEMPA Purchase Deferral	48,479	-	48,479	11,268	-	11,268
35	NC Regulatory Fee Deferral	711	-	711	-	-	-
36	SC DERP	266	-	266	266	-	266
37	Rotable Spares	(1,936)	-	(1,936)	(187)	-	(187)
38	Total Working Capital	$ 1,100,567	$ (459,949)	$ 640,618	$ 159,308	$ (55,347)	$ 103,961

Duke Energy Progress
Materials & Supplies - Electric
12 Months Ended June 30, 2016
Dollars in Thousands

Line No.	Description	Total Company Per Books	Total Company Adjustments	Total Company As Adjusted	SC Retail Per Books	SC Retail Adjustments	SC Retail As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		$	$	$	$	$	$
	Fuel Stock						
1	Fossil	$ 278,332	$ (84,829)	$ 193,503	$ 28,877	$ (8,801)	$ 20,076
2	Nuclear	390,808		390,808	40,547		40,547
3	Total Fuel Stock	669,140	(84,829)	584,311	69,424	(8,801)	60,623
4	Emission Allowances	74,411	-	74,411	244	-	244
5	Other Electric Materials and Supplies	746,953	-	746,953	85,787	-	85,787
6	Total Materials & Supplies	$ 1,490,503	$ (84,829)	$ 1,405,675	$ 155,454	$ (8,801)	$ 146,653

[A] Adjustment to per book coal inventory balance to reflect target inventory level.

Duke Energy Progress
Cost of Capital - Electric Operations
12 Months Ended June 30, 2016
Dollars In Thousands

Total Company

Line No.	Description	Per Books Amount	Per Books Ratio	Per Books Retail Rate Base	Per Books Embedded Cost/Return	Per Books Weighted Cost/Return	Per Books Operating Income	As Adjusted Amount	As Adjusted Ratio	As Adjusted Retail Rate Base	As Adjusted Embedded Cost/Return	As Adjusted Weighted Cost/Return	As Adjusted Operating Income
		(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)	(Col. 8)	(Col. 9)	(Col. 10)	(Col. 11)	(Col. 12)
		$	%	$	%	%	$	$	%	$	%	%	$
1	Long Term Debt	$ 6,207,710	44.91%	$ 5,652,364	4.08%	1.83%	$ 230,616	$ 6,207,710	44.91%	$ 6,037,135	4.08%	1.83%	$ 246,315
2	Preferred Stock	-	0.00%	-	0.00%	0.00%	-	-	0.00%	-	0.00%	0.00%	-
3	Common Equity	7,613,701	55.09%	6,933,617	7.61%	4.19%	527,780	7,613,701	55.09%	7,405,606	5.45%	3.00%	403,893
4	Total	$ 13,821,412	100.00%	$ 12,585,981			$ 758,396	$ 13,821,412	100.00%	$ 13,442,741			$ 650,208

SC Retail

Line No.	Description	Per Books Amount	Per Books Ratio	Per Books Retail Rate Base	Per Books Embedded Cost/Return	Per Books Weighted Cost/Return	Per Books Operating Income	As Adjusted Amount	As Adjusted Ratio	As Adjusted Retail Rate Base	As Adjusted Embedded Cost/Return	As Adjusted Weighted Cost/Return	As Adjusted Operating Income
		(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)	(Col. 8)	(Col. 9)	(Col. 10)	(Col. 11)	(Col. 12)
		$	%	$	%	%	$	$	%	$	%	%	$
5	Long Term Debt	$ 6,207,710	44.91%	$ 600,876	4.08%	1.83%	$ 24,516	$ 6,207,710	44.91%	$ 638,572	4.08%	1.83%	$ 26,054
6	Preferred Stock	-	0.00%	-	0.00%	0.00%	-	-	0.00%	-	0.00%	0.00%	-
7	Common Equity	7,613,701	55.09%	737,080	7.26%	4.00%	53,480	7,613,701	55.09%	783,320	4.79%	2.64%	37,557
8	Total	$ 13,821,412	100.00%	$ 1,337,956			$ 77,996	$ 13,821,412	100.00%	$ 1,421,892			$ 63,611

[A] Long Term Debt includes Mortgage and Pollution Control Bonds, Senior Debt, Unamortized Debt Expense and Discounts and Premiums. Current maturities are excluded.
[B] Includes net of tax Progress merger costs to achieve of approximately $1 million.
[C] Includes net of tax Piedmont merger costs to achieve of approximately $88 thousand.

Duke Energy Progress
Parent Company Contributions
12 Months Ended June 30, 2016
Dollars in Thousands

Line No.	Received from	Amount	Date
1	Duke Energy Corporation	$625,000	07/30/2015