BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2018-319-E

In the Matter of:	)	
	)	**DUKE ENERGY CAROLINAS, LLC**
Application of Duke Energy Carolinas,	)	**ERRATA TO THE DIRECT TESTIMONY**
LLC for Adjustments in Electric Rate	)	**OF DAVID DOSS, ROBERT B. HEVERT,**
Schedules and Tariffs	)	**RETHA HUNSICKER, MICHAEL J.**
	)	**PIRRO, DR. JULIUS A. WRIGHT**

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ERRATA TO THE DIRECT TESTIMONY OF DAVID DOSS

Duke Energy Carolinas ("DEC") provides the following errata to the Direct Testimony of David Doss.

1. Page 4, lines 7-9. Remove "based on the partial settlement agreement entered into with the Public Staff of the North Carolina Utilities Commission ("NCUC") which was approved by the NCUC."

ERRATA TO THE DIRECT TESTIMONY OF ROBERT B. HEVERT

DEC provides the following errata to the Direct Testimony of Robert B. Hevert.

1. Page 47, line 25. Replace "2,254" with "2,554."

ERRATA TO THE DIRECT TESTIMONY OF RETHA HUNSICKER

DEC provides the following errata to the Direct Testimony of Retha Hunsicker.

1. Page 16, line 11. Replace "$65-70 million" with $60-70 million."

ERRATA TO THE DIRECT TESTIMONY OF MICHAEL J. PIRRO

DEC provides the following errata to the Direct Testimony of Michael J. Pirro.

1. Page 12, line 11. Add "be available to" and remove "provide."
2. Page 12, line 12-13. Remove "a lower price level in the greater than 350 kilowatt hour ("kWh") per month block in the non summer season. Additionally" with "and."
3. Page 13, lines 3-14. Remove the following Q&A:

"**Q. WHAT ANALYSIS WAS USED TO EVALUATE THE STRUCTURE OF THE RESIDENTIAL RATES?**

A. The Company developed a model which uses the Company's hourly load research data for residential customers along with the filed cost-of-service study. The model uses the load research and cost of service characteristics of residential

customers to determine their total cost of service at various kWh usage levels. The current rate structure is compared to the calculated total cost of service at each usage level. Using this information, DE Carolinas plotted residential customers' annual kWh usage versus their annual cost-of-service per kWh. We found that for the residential class of service, the cost of service per kWh slightly decreases with an increase in annual energy consumption."

ERRATA TO THE DIRECT TESTIMONY OF DR. JULIUS A. WRIGHT

DEC provides the following errata to the Direct Testimony of Dr. Julius A. Wright.

1. Page 20, lines 11-12. Replace "the Company" with "DE Carolinas."
2. Page 25, line 11. Remove "WITH ANOTHER ELECTRIC UTILITY."

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	)	**DIRECT TESTIMONY OF**
Application of Duke Energy Carolinas, LLC	)	**DAVID L. DOSS JR.**
For Adjustment in Electric Schedules and	)	**FOR DUKE ENERGY**
Tariffs	)	**CAROLINAS, LLC**

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decommissioning expense in its rate request based on the results of the 2013 TLG Services Cost Studies and the Company's projected nuclear decommissioning trust fund balances. I also discuss the amount of the Company's depreciation expense based on the Company's revised depreciation study being filed in this docket (the "Depreciation Study"), included as Doss Exhibit 2, and the adjusted depreciation rates to the Depreciation Study, included as Doss Exhibit 3. Finally, I provide as my Exhibit 4 the Decommissioning Cost Estimate Study prepared by Burns and McDonnell, described later in my testimony.

Q. WERE DOSS EXHIBITS 1, 2, 3 AND 4 PREPARED OR PROVIDED HEREIN BY YOU, UNDER YOUR DIRECTION AND SUPERVISION?

A. Yes. They were.

Q. ARE YOU FAMILIAR WITH THE ACCOUNTING PROCEDURES AND BOOKS OF ACCOUNT OF DE CAROLINAS?

A. Yes. The books of account of DE Carolinas follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. This Uniform System of Accounts has been adopted by the Commission and is followed by the investor-owned utilities subject to its jurisdiction.

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LLC for Adjustments in Electric Rate	)	**ROBERT B. HEVERT FOR**
Schedules and Tariffs	)	**DUKE ENERGY CAROLINAS, LLC**

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proxy companies,[47] the potential of divestiture represents a significant source of risk for investors.

Nuclear Generation Portfolio

Q. PLEASE BRIEFLY DESCRIBE THE RISKS ASSOCIATED WITH THE OWNERSHIP OF NUCLEAR GENERATING RESOURCES.

A. Nuclear generating resources are regulated by the U.S. Nuclear Regulatory Commission ("NRC"). As such, the Company is subject to NRC mandates to meet licensing and safety related standards that may require increased capital spending and incremental operating costs. As Duke Energy noted:

> Revised security and safety requirements promulgated by the NRC, which could be prompted by, among other things, events within or outside the control of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, such as a serious nuclear incident at a facility owned by a third-party, could necessitate substantial capital and other expenditures, as well as assessments to cover third-party losses. In addition, if a serious nuclear incident were to occur, it could have a material adverse effect on the results of operations and financial condition and reputation of the Duke Energy Registrants.[48]

Q. DOES THE COMPANY'S GENERATION PORTFOLIO INCLUDE NUCLEAR GENERATING ASSETS?

A. Yes. The Company's generation portfolio includes 5,315 megawatts ("MW") of owned nuclear generating capacity. Specifically, the Company owns 2,316 MW at the McGuire facility in North Carolina, 2,554 MW at the Oconee facility in South

[47] The average institutional ownership for the proxy group is 73.85 percent. Duke Energy Corporation's institutional ownership is 59.48 percent. Source: S&P Global Market Intelligence.

[48] Duke Energy Corporation., SEC Form 10-K/A for the Period Ending December 31, 2017, at 28.

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For Adjustment in Electric Rate Schedules	)	**FOR DUKE ENERGY**
And Tariffs	)	**CAROLINAS, LLC**
	)	

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increased call volume that will likely result as customers become more familiar with the new bill format.

In 2021, the Company will begin deploying the final components of the meter-to-cash solution. In addition to all meter-to-cash processes, the Company will begin providing customers with additional self-service capabilities and portals, new rate offerings and advanced billing options.

Q. WHAT WILL BE DUKE ENERGY CAROLINAS' ESTIMATED COST FOR THE CIS IMPROVEMENTS?

A. The estimated cost for DE Carolinas is $285 - $295 million, with approximately 50 percent reflecting the capital investment. Specifically for South Carolina, the costs will be between $60 - 70 million as shown on Hunsicker Exhibit 1. The Company has executed fixed price contracts for the primary software (SAP), systems integration (Accenture) and change management professional services (Ernst and Young), following an extensive request for proposal process conducted in 2016.

Q. HOW WERE THE FORECASTED EXPENSES DERIVED?

A. The best and final offers from the RFP process were used as the foundation for the forecast, which include the cost of the executed contracts as well as the amount of internal labor the Company is required to provide to complete the scope of the contracts. Specific costs to cover activities beyond the scope of the contracts but within the scope of the program, such as the effort to modify more than 100 interfacing systems, were added, leveraging established program estimating techniques and assumptions. These forecasted expenses

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Tariffs	)	**CAROLINAS, LLC**

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Column N. Pirro Exhibit 2 illustrates the rate class changes and incorporates the effects of migrations and other riders. Pirro Exhibit 7 provides detail regarding the impacts of the proposed revenue increase on the broad customer classes.

B. Residential Service

Q. PLEASE DESCRIBE THE COMPANYS RESIDENTIAL SCHEDULES.

A. Rate Schedule RS, Residential Service, will continue to be the basic residential service rate schedule available to all residential customers. Rate Schedule RE, Residential Service – Electric Water Heating and Space Conditioning, will be available to customers with qualifying all electric homes and the Company will continue to provide Rate Schedule RT, Residential Time of Use, the current Time of Use ("TOU") residential program and Schedule ES, Residential Service - Energy Star, to customers with homes that meet the qualifications for the Energy Star Program. There are two categories under this rate with a lower rate provision for all-electric customers.

Q. IS THE COMPANY PROPOSING TO INCREASE THE RESIDENTIAL BASIC FACILITIES CHARGE?

A. Yes. The Company proposes to increase the Basic Facilities Charge ("BFC") to reflect the underlying cost of serving these customers regardless of the customer's level of energy use. DE Carolina requests to increase the

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monthly BFC from $8.29 to $28.00 to recover the customer-related cost identified in the unit cost study for the residential rate class.

Q. WHAT IS THE IMPACT OF THE RATE INCREASE ON RESIDENTIAL CUSTOMERS' BILLS?

A. Pirro Exhibit 3, page 1 of 3, illustrates the impact on residential customers of the proposed increase, including changes to the BFC. Changes to the BFCs will be discussed in more detail later in my testimony.

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Q. THE COMPANY IS ALSO ASKING THE COMMISSION TO ALLOW THE COMPANY TO DEFER COAL ASH RELATED EXPENSES PENDING RECOVERY ADJUDICATION IN A FUTURE RATE CASE. IS THIS A COMMON PRACTICE UNDER SOUTH CAROLINA REGULATORY PROCEDURES?

A. Yes. A deferred account mechanism is not unusual in ratemaking. In his book discussing utility regulation, Leonard Goodman indicates that "[t]he use of deferred cost accounting in the ratemaking context is so common and so fundamental a regulatory tool that no agency is likely to consider it necessary to study whether as a matter of policy costs should be deferred…"[13] In Docket No. 2015-96-E (Order No. 2015-308) this Commission allowed DE Carolinas to defer costs associated with coal ash related environmental remediation costs. DE Carolinas also has a currently effective deferral approved in the Commission's Order in Docket No. 2016-196-E, dated July 13, 2016. DE Progress has a similar deferral that is ongoing, which was approved in the Order in Docket No. 2016-227-E, dated December 21, 2016.

Q. IS IT REASONABLE TO EXPECT CUSTOMERS TO PAY FOR THE DISPOSAL OF COAL ASH?

A. Yes. Those dollars are required to be spent in compliance with new coal ash disposal requirements. Such a circumstance is not new in the history of environmental regulations in the United States, where it is commonplace for restrictions to be modified and become more restrictive over time. For

[13] Goodman, Leonard, "The Process of Ratemaking," Public Utility Reports, Vienna, VA, 1998, p. 322.

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thereby rendering the disposal sites for this coal ash, for which costs DE Carolinas seeks recovery in this case, "used and useful" in providing electric service. In addition, it should be noted that these same costs were just found to be "used and useful" in three different proceedings in North Carolina, including the Company's proceeding last year where the North Carolina Commission specifically stated that these type of costs were "used and useful in the provision of service to the Company's customers (Order, Docket E-7, Sub 1146, page 23).

Q. HAS THE COMMISSION ALREADY ADDRESSED THE RECOVERY OF THESE SPECIFIC TYPE OF COAL ASH DISPOSAL COSTS?

A. Yes. In Docket No. 2016-227-E, the Commission allowed DE Progress to recover coal ash expenses amortized over fifteen (15) years plus an approved return, albeit the Order did state that this finding had no precedential effect and will not prejudice the position of any Party in any future proceeding before the Commission.[19]

[19] Order in Docket No. 2016-227-E, Dec. 21, 2016, page 11, paragraph 15.

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