

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1103
DOCKET NO. E-7, SUB 1110

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Joint Petition of Duke Energy Progress,)
LLC, and Duke Energy Carolinas, LLC,) ORDER REQUESTING COMMENTS
for an Accounting Order to Defer)
Environmental Compliance Costs)

BY THE CHAIRMAN: On December 30, 2016, Duke Energy Progress, LLC (DEP) and Duke Energy Carolinas, LLC (DEC, collectively Duke) filed a Petition for an Accounting Order in the above-captioned dockets requesting that the Commission issue an Order authorizing DEP and DEC to defer in a regulatory asset account certain costs of compliance with federal and state environmental requirements regarding coal combustion residuals (CCRs).

In summary, Duke recounts the history of the adoption of the United States Environmental Protection Agency's Standards for Disposal of Coal Combustion Residuals in Landfills and Surface Impoundments (CCR Final Rule), and North Carolina's Coal Ash Management Act (CAMA). Further, Duke describes its actions in seeking to comply with the requirements of the CCR Final Rule and CAMA. Duke states that DEP has incurred \$291.9 million in expenses from January 2015 through November 2016 for compliance with state and federal CCR requirements, and that DEC has incurred \$434.4 million in expenses during the same period. In addition, Duke states that no fines or penalties, or costs associated with the Dan River pipe break repair and resulting spill cleanup, are included in these amounts, and that such fines, penalties and Dan River costs will not be sought in Duke's recovery of CCR costs from ratepayers.

Moreover, Duke states that DEC and DEP have recorded asset retirement obligations (AROs) of \$2.1 billion and \$2.4 billion, respectively, as of September 30, 2016, to reflect the approximate cost of Duke's legal obligation to comply with CCR requirements. However, Duke states that its actual CCR compliance costs may be materially different from these estimates based on the timing and requirements of the final environmental regulations. Duke further notes that it made an informational filing in these dockets on December 21, 2015, that informed the Commission of Duke's accounting for the CCR AROs and expenses, and explained that Duke was not filing a deferral request at that time due to significant litigation and other considerations related to CAMA, the now-defunct Coal Ash Management Commission, and numerous other outstanding issues that have now been resolved sufficiently to enable Duke to file its deferral request.

In addition, Duke discusses the rates of return on equity (ROEs) reported by DEC and DEP for the 12 months ended September 30, 2016. Duke states that absent Commission approval of its deferral request the ROEs for DEC and DEP are expected to be well below the 10.2% authorized by the Commission in each company's last general rate case. Further, Duke states that both DEC and DEP intend to file a general rate case in North Carolina within the next 12 months.

In conclusion, Duke requests Commission authority for DEC and DEP to establish a regulatory asset account for the deferral of all non-capital costs, as well as the depreciation expense and cost of capital at the weighted average cost of capital for all capital costs related to their CCR activities. In addition, Duke requests to defer a cost of capital on the deferred costs at DEC's and DEP's weighted average cost of capital. Finally, Duke requests that the deferral include all such costs from January 1, 2015, until the approval of new rates in DEC's and DEP's next general rate cases.

Based on Duke's Petition and the record, the Chairman finds good cause to request comments and reply comments from interested parties regarding Duke's request to allow DEC and DEP to establish a regulatory asset and defer their CCR costs until DEC's and DEP's next general rate cases.

IT IS, THEREFORE, ORDERED as follows:

1. That on or before February 15, 2017, persons having an interest in this matter may file petitions to intervene in this docket.
2. That on or before February 15, 2017, all parties may file initial comments regarding Duke's Petition.
3. That on or before March 15, 2017, all parties may file reply comments.

ISSUED BY ORDER OF THE COMMISSION.

This the 6th day of January, 2017.

NORTH CAROLINA UTILITIES COMMISSION



M. Lynn Jarvis, Chief Clerk