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Nanette S. Edwards
Chief Counsel and Director of Legal Services

May 16, 2012

Ms. Gail Mount, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh, North Carolina 27699-4325

Re: Docket Nos. E-2, Sub 998, and E-7, Sub 986
Supplemental Agreement and Stipulation of Settlement

Dear Ms. Mount:

In connection with the above-referenced dockets, the South Carolina Office of Regulatory Staff ("ORS") submits this correspondence in response to the Supplemental Agreement and Stipulation of Settlement between and among Duke Energy Corporation, Progress Energy, Inc., Duke Energy Carolinas, LLC, Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc., (collectively referred to as the "Companies"), and the Public Staff-North Carolina Utilities Commission ("Public Staff") filed with the North Carolina Utilities Commission ("NCUC") on May 8, 2012.

The purpose of this letter is to advise the NCUC that ORS supports the Supplemental Agreement and Stipulation of Settlement ("Supplemental Agreement") based on the Companies' commitment to ORS that:

1. The Supplemental Agreement will apply to their South Carolina operations subject to the modification in paragraph 4 below.
2. At shareholders' expense, DEC and PEC will provide community support and charitable contributions in South Carolina for four (4) years at a level no less than \$1,866,864 and \$788,000, respectively, based on the average of each company's contributions over the past five years (2006 – 2010).

3. At shareholders' expense, DEC and PEC will contribute a total of \$3.75 million dollars, to be distributed as mutually agreed upon by ORS and DEC and PEC, for purposes such as workforce development and low income energy assistance in South Carolina in the first year following the closing of the merger. The \$3.75 million will be allocated between DEC's and PEC's South Carolina service territories in proportion to the number of South Carolina retail customers served by each.¹
4. With regard to Interim Mitigation Sales, for South Carolina, such capacity costs shall be allocated between and among jurisdictions using the production plant allocation methodology approved in DEC's and PEC's most recent South Carolina general rate cases. For DEC and PEC, the current South Carolina Commission-approved methodology is **Summer CP**.

Counsel for Duke and Progress are in agreement with the provisions set forth in this correspondence.

Very truly yours,

A handwritten signature in cursive script that reads "Nanette S. Edwards".

Nanette S. Edwards, Esq.

¹ The provisions in items (1) and (2) are the same provisions in the September 2, 2011, Stipulation of Settlement between the North Carolina Public Staff and the Companies but at the jurisdictional proportionate amounts for South Carolina.