



The Public Service Commission State of South Carolina

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May 8th, 2019

PUBLIC SERVICE COMMISSION ISSUES DIRECTIVE IN DUKE ENERGY PROGRESS CASE

On May 8th, 2019, the Public Service Commission of South Carolina issued a directive related to Docket No. 2018-318-E (Application of Duke Energy Progress, LLC for Adjustments in Electric Rate Schedules and Tariffs and Request for an Accounting Order). This directive, which does not serve as the Commission's order, sets forth the Commission's findings from the merit hearing in April and incorporates consumer feedback from the series of public hearings held by the Commission. The directive, as presented by Commissioner Swain Whitfield, requires the company to adopt six stipulations that were agreed upon by the company and the Office of Regulatory Services, including efforts to normalize storm costs, adjust end-of-life nuclear material costs, and remove inflation adjustment to non-labor operation and maintenance.

In addition, the Commission directive requires the adoption of ten other recommendations, including:

- Allowing recovery for previously deferred amounts as recommended by the ORS.
- Adopting the ORS position on amortization of deferred environmental costs, thus disallowing recovery of \$333,480,308 on a system-wide basis allocated proportionately to South Carolina associated with the incremental increase in coal ash remediation and disposal costs related to North Carolina's Coal Ash Management Act ("CAMA").
- Disallowing a return on the deferred depreciation expenses related to South Carolina AMI meters, but accepting the deferred cost of capital be included in rate base, and adopting the ORS position to amortize the deferral balance over a period of 15 years.
- Disallowing 75% of the South Carolina allocation of Duke Energy CEO Lynn Good's compensation and 50% of the compensation of the Company's next three highest executives and accepting the Company's adjustment to normalize operation and maintenance labor expense and adjust operation and maintenance for executive compensation.
- Disallowing a return on the deferral balance related to the Customer Connect Project, resulting in an adjustment of \$763,000 to O&M expense, \$308,000 to depreciation and amortization expense, and \$267,000 to income tax expense.

- Disallowing inclusion of the deferral balance related to SC Grid in rate base, and amortizing the balance over five years, resulting in an adjustment of \$424,000 to depreciation and amortization expense, \$106,000 to income tax expense, \$1,016,000 to working capital, and \$253,000 to accumulated deferred taxes.
- Disallowing recovery of \$639,000 in Operation & Maintenance Expenses, including \$390,000 in Coal Ash Litigation Costs, and \$249,000 agreed to by Duke Energy Progress and the Office of Regulatory Staff during the hearing.
- Disallowing adjustment for ongoing payment obligations, due to non-compliance with a contract with CertainTEED.
- Accepting the Company’s calculation of the Excess Deferred Income Tax (“EDIT”) Rider and adopting ORS’s recommendation to review the changing Average Rate Assumption Method rate related to protected EDIT to ensure it is correctly calculated in future periods.
- Adopting the remaining adjustments recommended by ORS.

The directive received a unanimous vote during the Commission’s weekly business meeting, which was livestreamed to the public through the Commission’s website (www.psc.sc.gov). The complete text of the directive can be found at this link—[DIRECTIVE LINK](#)—and the livestream of the Commission Business Meeting can be found archived at [this link](#).

The Commission’s formal written order will follow. All questions regarding this directive should be directed to Chief Clerk Jocelyn Boyd, who can be reached via telephone at 803.896.5133. Questions can also be addressed to the Commission via social media through the Public Service Commission’s official Twitter (@PSCofSC) and Facebook (@PSCofSC) profiles.

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