

## Get the Facts: Why is Duke Energy asking to increase electric rates?



On July 1, 2011, Duke Energy Carolinas has asked the North Carolina Utilities Commission (NCUC) for an approximately 15 percent average increase to electric rates.

In ongoing conversations with customers, including listening to testimony at the public hearings and reading comments filed with the commission, we continue to hear concern about implementing a rate increase in this challenging economy.

The company recognizes that the timing for the rate increase is unfortunate, but necessary given the prudent investments already made on behalf of its customers.

In response, the company is proposing to reduce the amount of the requested increase in North Carolina with the following adjustments and enhancements:

- Accept or not contest, for this case, a number of adjustments by the Public Staff, totaling \$93 million or an average two percent.
- Decrease the company's requested return on equity (ROE), due to current financial market data. The company is now requesting an 11.25 percent ROE rather than 11.5 percent.
- Expand the safety net to assist our region's most vulnerable customers in North Carolina, by contributing a total of \$12 million dollars (\$7 million from shareholders and \$5 million from ratepayers, if approved by the commission) to assist those customers with paying their energy bills.

Based on the company's updated position, Duke Energy Carolinas is now requesting to increase customer rates by an average of 12 percent.

If approved, new rates would likely go into effect February 2012.

### **What does the rate increase provide?**

No one likes rate increases. But they're necessary to ensure the availability of affordable, reliable and clean electricity today, and for decades to come.

This request to increase rates is driven by investments already made and begins the process to recover \$4.8 billion dollars already invested in the company's Carolinas' electric system since 2009 to modernize our electric system and comply with state and federal emissions regulations. These capital investments have not been challenged by any parties in the case.

Major projects include construction of a new natural gas-fired power plant, environmental emissions equipment and financing costs associated with building a new state-of-the art unit at the Cliffside coal plant, and upgrades to the system of poles, wires and equipment that delivers power to homes and businesses.

As work continues to modernize the system, Duke Energy Carolinas has been aggressively managing customer costs. Last year, our power plants set records for operational efficiency, while the company held operations and maintenance costs essentially flat.

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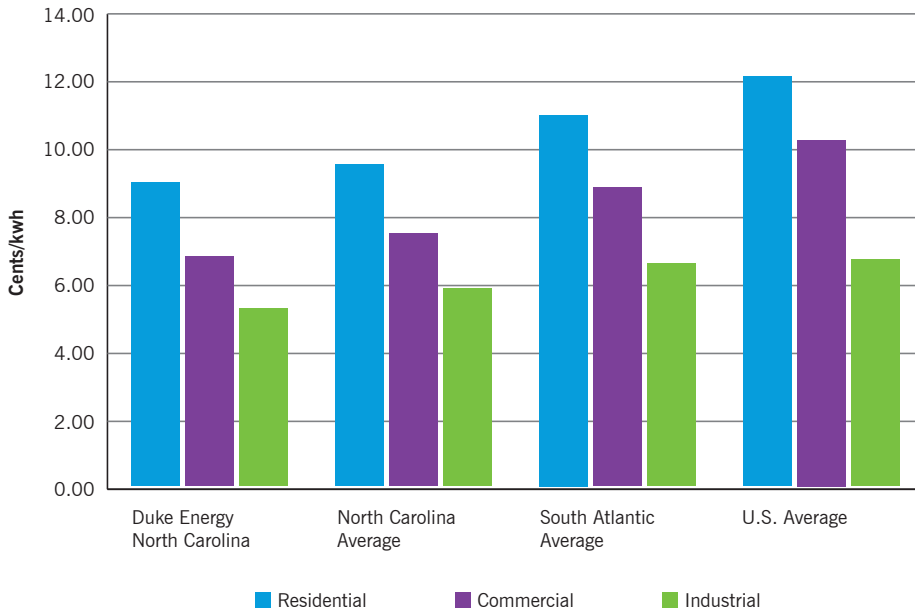
### Who sets the rates customers pay for electricity?

Duke Energy is obligated by state law to serve every customer in its service area with reliable electricity at rates approved by the NCUC. In exchange, the company is allowed the opportunity to earn a fair return for investors who bear the financial risk of capital investment.

### How do Duke Energy Carolinas' rates compare with other utilities?

Duke Energy's rates in North Carolina are 27 percent below the national average and 21 percent below the Southeast U.S. average.

### Current Average Electric Rates



Data from the Edison Electric Institute.

If the rate increase is approved, the company's rates would remain below the national average and very competitive in the Southeast region.

### How can I control and manage my energy costs?

We recognize that you want to make the best use of every dollar you spend on energy. That's why Duke Energy Carolinas has ramped up efforts to help you understand steps to lower your energy bill. Visit [www.duke-energy.com/youutility](http://www.duke-energy.com/youutility) to get started.

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