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Clerk's Office
N.C. Utilities Commission

February 29, 2008

Ms. Renne C. Vance, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

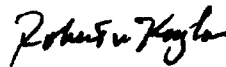
RE: February 2008 Advanced Clean Coal Cliffside Unit 6 Cost Estimate
Docket No. E-7, Sub 790

Dear Ms. Vance:

Pursuant to Condition No. 5 of the Commission's March 21, 2007 Order Granting Certificate of Public Convenience and Necessity with Conditions, I enclose the original and twenty-five copies of Duke Energy Carolinas, LLC's updated cost estimate for the advanced clean coal Cliffside Unit 6 for filing in connection with the referenced matter.

Appendix 1, consisting of 3 pages, is Confidential and is being filed in a sealed envelope.

Sincerely,



Robert W. Kaylor

Enclosures

cc: Parties of Record

Duke Energy Carolinas' Advanced Clean Coal Cliffside Unit 6 Cost Estimate Report
February 29, 2008 Docket No. E-7, Sub 790

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On February 20, 2008, Duke Energy Carolinas, LLC ("Duke Energy Carolinas") entered into an amended and restated engineering, procurement, construction and commissioning services agreement with Shaw North Carolina, Inc, ("SNC") a Shaw Group Company for the construction of one new nominally-rated 800MW state-of-the-art supercritical pulverized coal unit ("Unit 6") at Duke Energy Carolinas' coal-fired Cliffside Generating Station. The amended and restated agreement is substantially similar in form and substance to the original agreement signed between the parties in July 11, 2007; but it reflects a significant reduction in uncertainty due to refinements to the scope, schedule, and pricing which have occurred since the time of execution of the original agreement. The amended agreement provides for a commercial operation date for Unit 6 in the summer of 2012. As part of the scope of work under the amended agreement, Duke Energy Carolinas has engaged SNC to integrate and construct a related and previously-approved flue gas desulfurization ("FGD") system on Unit 5 at the Station. The Cliffside Unit 5 FGD is planned to be in service by late 2010. The final air permit from the North Carolina Department of Environment and Natural Resources ("NC DENR") was issued for Unit 6 on January 29, 2008. SNC has started construction, and Duke Energy Carolinas is in the process of issuing a full notice to proceed with the Unit 6 work. A full notice to proceed was issued in July 2007 for the Unit 5 FGD work.

During February, we continued the process of supplier/subcontractor evaluations and selection. To date, we have made commitments for the primary engineering and construction contractor, major owner-furnished equipment (boiler, turbine generator, and air quality control system), feedwater pumps, feedwater pump turbines, feedwater heaters, hotwell pumps, condenser, high energy piping, large circulating water piping, circulating water pumps, chimney, entrance road bridge, cooling tower, structural steel supply and concrete supply and pumping. Evaluations of proposals for the ash handling equipment, main step-up transformers, distributed control system, and other engineered equipment are on-going.

We continue to work with the SNC project team to perform detailed engineering and procurement activities to support the project schedule. Cost and quantity estimates are tracking close to earlier estimates. The project schedule was updated in the amended and restated agreement. Also, we continue to work with suppliers and contractors for work that Duke Energy Carolinas will contract directly (rather than through SNC) to finalize their scope, schedule, terms and pricing and will issue timely purchase orders or contracts to support the project schedule.

This cost and schedule data was used to update AFUDC projections. The current estimate of AFUDC based on currently anticipated financing costs, projected cash flow, and commercial operation date is between \$550 million and \$600 million. The updated project cost estimate summary is provided in Confidential Appendix 1. Based on current information, we remain reasonably confident that Unit 6 can be completed within the current capital cost estimate of \$1.8 billion. The pro rata portion of the federal advanced clean coal tax credits will reduce the overall project cost to customers by approximately \$62.5 million.

Construction of the Unit 5 FGD system and the new Unit 6 advanced clean coal facility is ongoing. Site grading is well under way and the first major concrete pour is complete.

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's February 2008 Advanced Clean Coal Cliffside Unite 6 Cost Estimate in Docket No. E-7, Sub 790, has been served by electronic mail (e-mail), hand delivery or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to parties of record.

This the 29th day of February, 2008.

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