

**Duke Energy Carolinas**  
**Summary of Revised Settlement Agreement on Proposed Base Rate Increase in South**  
**Carolina**  
**Docket 2011-271-E**

**Background**

- On August 5, 2011, Duke Energy Carolinas filed a rate case with the Public Service Commission of South Carolina (PSCSC) to request an average 15 percent increase in retail revenues, or approximately \$216 million
  - Based upon 11.5% return on equity (ROE) and a 53% equity component of the capital structure
- On November 14, 2011, the South Carolina Office of Regulatory Staff (ORS), who represents South Carolina consumers, recommended a rate increase of approximately \$91 million
  - Based upon 10.5% ROE and a 53% equity component of the capital structure
- On November 30, 2011, Duke Energy Carolinas reached agreement with the ORS
  - Based upon allowed ROE of 10.5% and 53% equity component of the capital structure
  - Duke Energy Carolinas agrees to forgo a general rate case filing in 2012 and 2013. Earliest general rate case filing will be in 2014, using a 2013 test year with rates effective no sooner than February 2015
    - In exchange for stay-out provision, base rates will be updated annually in 2013 and 2014 for certain capital spending, not to exceed a cumulative \$80 million revenue increase
- On December 7, 2011, Duke Energy Carolinas filed a revised agreement with the PSCSC
  - Agreement still includes ORS but has been revised to (1) also include Wal-Mart Stores East, LP and Sam's East, Inc, intervenors to the proceeding, and (2) remove the general rate case stay-out provision and the capital spending base rate adjustment
  - As a result, Duke Energy Carolinas expects to file a general rate case with the PSCSC in 2012 for rates in effect in early 2013

**Major Components of Revised Settlement**

- Annualized base rate increase of approximately \$92.8 million (43% of requested \$216 million total)
  - Based upon allowed ROE of 10.5% and 53% equity component of the capital structure
- The Company will make a one-time donation of approximately \$4 million to AdvanceSC, an economic development fund
- Changes BPM profit sharing from 50/50 (50% to AdvanceSC for economic development, low income assistance, education initiatives, and existing manufacturing support and 50% to the Company) to 90/10 (50% to AdvanceSC, 40% to customers, and 10% to the Company)
- Settlement subject to the review and approval by the PSCSC
  - An evidentiary hearing commenced today, December 7, 2011

## Estimated Rate Increase Impacts to Customer Bills:

<b>(\$ in Millions)</b>	<b>2012</b>
Annualized Increase to Base Rates	\$93
Cumulative Net Increase (\$)	\$93
Cumulative Net Increase (%)	6.0%

Note 1 – 2012 increase in base rates expected to be effective February 2012