

Duke Energy Carolinas' Advanced Clean Coal Cliffside Unit 6 Cost Estimate Report  
November 30, 2007 Docket No. E-7, Sub 790

During the month of November 2007, the Duke Energy project team and our selected engineering and construction contractor, Shaw Stone and Webster, continued to perform necessary engineering, procurement, construction planning and project management activities to optimize and further validate the project schedule and cost estimate. 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 being performed. Some equipment delivery dates are later than originally anticipated and we continue to work with the Shaw project team and the equipment and material suppliers to find ways to minimize schedule extensions.

Over the next few months, we will continue to work with the Shaw project team to perform detailed engineering, finalize detailed quantity estimates, update supplier pricing and delivery schedules for the remaining engineered equipment and material, and refine the project schedule and cost estimate. We will continue to work with other suppliers and contractors to update their scope, schedule, terms and pricing and will issue timely purchase orders or contracts to support the project schedule.

Site excavation for the Unit 5 AQCS is ongoing. The Unit 6 final air permit is expected to be issued by the North Carolina Department of Environment and Natural Resources before the end of December 2007. After that, we will issue full notice to proceed to Shaw.

Prior to issuing full notice to proceed, we will complete a full review of the project schedule and cost estimate based on all the information available. This cost and schedule data will be used to update AFUDC projections; and we will report updated cost estimate, schedule, and AFUDC information to the Commission. This information should be available in January. Based on current information, we remain reasonably confident that the project 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 \$65 million.

Our contracts and purchase orders not only require Duke Energy to make progress payments to contractors and suppliers for their work as it is performed, but they also require additional payments for in-progress work or demobilization costs should the contracts or purchase orders have to be cancelled for any reason. There have been no material changes to the summary of the estimated implementation cash flow and cancellation cash flow provided in Confidential Appendix 1 to the October 31, 2007 cost update report.