

Duke Energy Carolinas' Advanced Clean Coal Cliffside Unit 6 Cost Estimate Report
June 29, 2007 Docket No. E-7, Sub 790

As stated in the May 30, 2007 report, we plan to submit monthly cost estimate updates to the Commission until February 2008, at which point we will evaluate whether monthly or annual updates are appropriate.

During the month of June, we continued the process of refining the one unit scope concepts by updating design criteria documents, performing detailed engineering, and developing detailed quantity estimates. We are continuing the development of equipment, material, and workforce requirements which are being used to develop the project schedule and cost estimate. We continue negotiation of the engineering, procurement and construction (EPC) contract terms. As stated in the May 30 report, we have issued purchase orders with firm prices and delivery schedules for the boiler and steam turbine generator.

Based on the project estimate work accomplished so far, the current capital cost estimate for the advanced clean coal Cliffside Unit 6 remains at \$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.

Financing costs (AFUDC) associated with the construction of Unit 6 is unchanged at the estimated \$600 million value. Actual financing costs will depend on the company's cost of capital during construction of the plant, the final cost of constructing the plant, and the in-service date of the unit, currently targeted for February 2012.

We modified our air permit application to reflect our Air Quality Control System ("AQCS") technology choice associated with the construction of Cliffside Unit 6. The draft air permit is expected in late July 2007.

Proposed updated pricing for the AQCS and site earth work was received in June. During the month of July, we plan to finalize the purchase order for the AQCS. We plan to finalize negotiations and to execute an EPC contract and issue a limited notice to proceed with engineering, procurement and site clearing, grading and excavation activities. In the next three months, we will continue to perform detailed engineering, develop detailed quantity estimates, update expired supplier pricing and delivery schedules for engineered equipment and material, and refine the schedule and cost estimate. We will continue to work with other suppliers and contractors to update scope, schedule, terms and pricing, and issue timely purchase orders or contracts to support the project schedule. We remain reasonably confident that, despite the need to continue firming up certain components of the project cost estimate, the project can be completed within the current capital cost estimate of \$1.8 billion.