

1 Q. PLEASE DESCRIBE YOUR BUSINESS BACKGROUND AND
2 EXPERIENCE.

3 A. I joined Duke Power in 1978 as an attorney in the Legal Department. I was
4 named Vice President and General Counsel of Electric Operations following the
5 creation of Duke Energy in 1997. I was named Vice President and General
6 Counsel of Corporate, Gas and Electric Operations in January 1999 and Senior
7 Vice President and General Counsel of Duke Energy Corporation in February
8 2001. I was appointed Senior Vice President of Asset Management for Duke
9 Power in August 2001. I became Senior Vice President of Power Policy and
10 Planning in February 2003 and Group Vice President of Power Policy and
11 Planning in March 2004. I became Group Vice President of Planning and
12 External Relations for Duke Power in March 2005. I assumed my current
13 position in April 2006.

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. Duke Energy Carolinas has applied to the Commission for a Certificate of Public
16 Convenience and Necessity (“CPCN”) to construct two 800 MW state-of-the art
17 pulverized coal generating units at the Company’s existing Cliffside Steam
18 Station (the “Cliffside Project”). The purpose of my testimony is to provide an
19 overview of the policy and strategic reasons for Duke Energy Carolinas’
20 application. In addition, I will address how the need for new baseload coal-fired
21 generation fits into our overall plans for increased energy efficiency and
22 conservation programs and promotion of renewable resources. Finally, I will

1 discuss how the plans for the new Cliffside units will enable continued
2 compliance with the North Carolina Clean Smokestacks law.

3 Q. WHAT ARE THE STRATEGIC REASONS FOR DUKE ENERGY
4 CAROLINAS' APPLICATION FOR A CERTIFICATE TO CONSTRUCT TWO
5 800 MW COAL-FIRED UNITS?

6 A. Duke Energy Carolinas is currently adding approximately 40,000 to 60,000 new
7 customers each year. Duke Energy Carolinas has not added any new baseload
8 generation since 1986. As Company witness Janice Hager discusses in detail in
9 her testimony, the 2005 Duke Energy Carolinas Annual Plan demonstrates the
10 need for 3,400 additional megawatts of capacity in 2011, which increases to 4,360
11 MW in 2014. Duke Energy Carolinas performed a least-cost study of potential
12 supply-side and demand-side alternatives as part of the development of the 2005
13 Annual Plan and determined that new coal capacity is the best option for meeting
14 the earliest baseload generation needs. Coal generation is a critical part of Duke
15 Energy Carolinas' diverse generation portfolio and has helped to allow us to
16 maintain superior reliability and lower rates than many other utilities. The
17 analysis also supports the development of additional baseload generation in the
18 2016 timeframe. Duke Energy Carolinas is considering nuclear generation as an
19 option to meet that additional baseload need, and has announced plans to seek a
20 Combined Construction and Operating License, or COL, from the Nuclear
21 Regulatory Commission for a two-unit nuclear station to be sited in Cherokee
22 County, South Carolina.

1 Q. WHY IS DUKE ENERGY CAROLINAS REQUESTING CERTIFICATES AT
2 THIS TIME FOR TWO NEW COAL UNITS WHICH WILL NOT BE
3 OPERATIONAL UNTIL 2011 AT THE EARLIEST?

4 A. The 2005 Annual Plan supports the need for two 800 MW units at the Cliffside
5 Project, with the first unit online in 2011. In order to ensure the availability of
6 this capacity for summer 2011, we must begin construction in early 2007, and, we
7 must have the CPCN and air permit before we can begin construction. Therefore,
8 we are applying for the CPCN now.

9 Although we recognize that the future is uncertain and that the need for, or
10 timing of, new generation resources could change over time, based on all we
11 know right now and our best projections of factors that could influence the
12 decision, certifying both new coal units is the best option for customers. We
13 simply must proceed now to ensure that we can continue to timely meet our
14 customers' energy needs in a reliable and economical manner in 2011 and
15 beyond. As Janice Hager discusses in her testimony, we considered a set of base
16 assumptions and a wide range of sensitivities in the planning process, and the
17 portfolios including 1600 MWs of baseload coal capacity consistently
18 outperformed other plans. We will continue to monitor the factors, such as load
19 growth, timing of new nuclear generation, and future environmental regulations,
20 that influence the need for and timing of the Cliffside Project and provide updated
21 information in future Annual Plans.

1 Q. YOU MENTIONED DUKE ENERGY CAROLINAS' ANALYSIS OF LEAST-
2 COST SUPPLY ALTERNATIVES. HOW DO DEMAND-SIDE
3 ALTERNATIVES FIT INTO DUKE ENERGY CAROLINAS' PLANS?

4 A. As Janice Hager discusses in greater detail in her testimony, Duke Energy
5 Carolinas' integrated resource planning process incorporates various resource
6 options, including demand-side management ("DSM") programs, to meet our
7 customers' needs for reliable energy at the lowest reasonable cost. Duke Energy
8 Carolinas' current DSM programs include residential load control curtailment
9 programs, interruptible power service, standby generator control, time of use rates
10 and energy efficiency programs and rates. In addition, Duke Energy Carolinas is
11 developing a new DSM strategy to identify and implement new DSM programs.
12 In fact, the 2005 Duke Energy Carolinas Annual Plan includes an additional 100
13 MW of additional DSM program capability, in anticipation of completion of the
14 DSM strategy analysis.

15 As part of the Commission's pending IRP proceeding (*In re: Investigation*
16 *of Integrated Resource Planning in North Carolina – 2005* Docket No. E-100,
17 Sub 103), Duke Energy Carolinas supported the creation of a collaborative
18 working group on DSM, which has now been established by the Commission's
19 April 3, 2006 order in the IRP docket. As a result of the recently-completed
20 merger with Cinergy, we see the potential to incorporate the former Cinergy
21 utilities' experience with DSM as a best practice into Duke Energy Carolinas'
22 approach in North Carolina. The former Cinergy utilities have had success in
23 Ohio and Kentucky working through collaborative processes with interested

1 stakeholders to develop new DSM approaches. While Duke Energy Carolinas is
2 committed to implementing new cost-effective DSM programs, I believe such
3 programs complement, but cannot replace, the plans for the new baseload
4 Cliffside units.

5 Q. HOW DO RENEWABLE RESOURCES FIT INTO DUKE ENERGY
6 CAROLINAS' PLANS?

7 A. Duke Energy Carolinas has supported renewable energy through support of the
8 North Carolina GreenPower program, the collaborative development of model
9 small generator interconnection standards approved by the Commission,
10 implementation of a Small Customer Generator Rider, and purchased-power
11 contracts with Qualifying Facility renewable energy providers. In addition, the
12 Company has encouraged renewable energy bids in its Requests for Proposals for
13 purchased power. Duke Energy Carolinas is committed to supporting the
14 development of renewable energy resources within the regulatory structure
15 afforded it as a regulated utility in North Carolina.

16 Q. WHAT IMPACT WILL THE NEW CLIFFSIDE UNITS HAVE ON DUKE
17 ENERGY CAROLINAS' COMPLIANCE WITH NORTH CAROLINA'S
18 CLEAN SMOKESTACKS LAW?

19 A. Duke Energy Carolinas will continue to comply with the Clean Smokestacks law.
20 We plan to retire the existing Cliffside units 1-4 as part of the construction of the
21 new units and, if needed, will achieve any additional emission reductions required
22 by the Clean Smokestacks law through operational changes, the installation of
23 additional environmental controls and/or the retirement of additional existing

1 generation. As is discussed in greater detail in Bill McCollum's testimony, by
2 adding the new Cliffside units and retiring the older Cliffside units, the Company
3 will increase capacity by 1,402 MWs, while continuing to keep our SO₂ and NO_x
4 emissions within the Clean Smokestacks specifications.

5 Q. ARE THERE ANY ECONOMIC DEVELOPMENT BENEFITS THAT THE
6 CLIFFSIDE PROJECT WOULD BRING TO NORTH CAROLINA, AND TO
7 CLEVELAND AND RUTHERFORD COUNTIES?

8 A. Duke Energy Carolinas is making an approximately \$2 billion investment in the
9 two new units of the Cliffside Project. Certainly, this type of investment is a
10 significant commitment to the State of North Carolina and represents significant
11 additional tax revenues for Cleveland and Rutherford Counties. The Cliffside
12 Project will bring more than 1,000 construction jobs and add approximately 60
13 highly skilled, well-paid, full-time jobs in these communities. We have been
14 generating power at this site along the banks of the Broad River for more than
15 sixty years and are proud to be part of the community. Our plans for the Cliffside
16 Project have been endorsed by the Cleveland and Rutherford Boards of County
17 Commissioners, the Rutherford County Economic Development Commission, the
18 towns of Spindale, Rutherfordton, Earl, and Ellenboro, Gardner Webb University,
19 and the Isothermal Community College Board of Trustees among other local
20 groups. We appreciate the support Duke Energy Carolinas has received for the
21 Cliffside Project thus far and look forward to enhancing our investment in
22 Cleveland and Rutherford Counties.

1 Q. WHY DOES DUKE ENERGY CAROLINAS BELIEVE THAT THIS
2 APPLICATION IS JUSTIFIED BY THE PUBLIC CONVENIENCE AND
3 NECESSITY?

4 A. For all the reasons discussed in my testimony and those of Duke Energy
5 Carolinas' other witnesses, construction of the new Cliffside Project is justified by
6 the public convenience and necessity. The project is needed to enable Duke
7 Energy Carolinas meet the needs of our customers reliably and cost-effectively.

8 Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

9 A. Yes, it does.