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May 2nd, 2019

PUBLIC SERVICE COMMISSION ISSUES DIRECTIVE IN DUKE ENERGY CAROLINAS CASE

On May 1st, 2019, the Public Service Commission of South Carolina issued a directive related to Docket No. 2018-319-E (Application of Duke Energy Carolinas, LLC, for Adjustments in Electric Rate Schedules and Tariffs and a Request for an Accounting Order). This directive, which does not serve as the Commission's order, sets forth the Commission's findings from the merit hearing in March and synthesizes consumer feedback from the series of public hearings held by the Commission prior to the hearing. Among the Commission's recommendations, as written in the directive and presented by Commissioner Tom Ervin:

- Disallow a return on deferred Operation and Maintenance expenses and approve ORS's proposed amortization periods for accounting deferrals;

- Disallow recovery of $802,033 in Operation & Maintenance ("O&M") Expenses, including $575,000 in expenses incurred in connection with insurance litigation and $227,033 in nonallowable expenses;

- Disallow 75% of the South Carolina allocation of Duke Energy CEO Lynn Good's excessively high executive compensation during the 2017 test year as well as 50% of the excessive executive compensation for the Company's next three highest executives;

- Disallow recovery of $469,894,472 on a system-wide basis allocated proportionately to South Carolina associated with the incremental increase in coal ash remediation and disposal costs related to North Carolina's Coal Ash Management Act ("CAMA");

- Disallow any return on pre-construction costs associated with the canceled Lee Nuclear Project;

- Disallow recovery of a reserve for an 'End of Life Nuclear Fund' because it is premature as these costs are unknown and uncertain;

- Reject DEC's proposed amortization periods of three (3) years for Carolinas West Control Center, Lee Combined Cycle, and South Carolina Advanced Metering Infrastructure and adopt ORS's recommended thirty (30), thirty-nine (39), and fifteen (15) year amortization periods, respectively;

- Allow approximately $1,339,000 in rate case expenses, amortized over five years, which limits the Company's recovery of certain rate case expenses to those that were sufficiently supported with documentation which disallows approximately $512,000 and those expenses that do not contain estimates or forecasts which disallows approximately $2,000,000. Exclude from rate base the unamortized balance of rate case expenses;

- Accept the Company's calculation of the Excess Deferred Income Tax ("EDIT") Rider and adopt ORS's recommendation to review the changing Average Rate Assumption Method rate related to protected EDIT to ensure it is correctly calculated in future periods;

- Adopt the remaining adjustments as recommended by ORS;

- Adopt a return on equity ("ROE") for the Company of 9.5%, compared to the requested 10.5%.

The directive received a unanimous vote during the Commission's weekly business meeting, which was livestreamed to the public through the Commission's website (www.psc.sc.gov). The complete text of the directive can be found at this link: DIRECTIVE LINK.

The Commission's formal written order will follow. All questions regarding this directive should be directed to Chief Clerk Jocelyn Boyd (jocelyn.boyd@psc.sc.gov), who can be reached via telephone at 803.896.5133. Questions can also be addressed to the Commission via social media through the Public Service Commission's official Twitter (@PSCofSC) and Facebook (@PSCofSC) profiles.

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