ELECTRICITIES
of NORTH CAROLINA, INC.

March 17, 2015

Chairman Edward S. Finley, Jr.
North Carolina Utilities Commission
430 North Salisbury Street
Raleigh, NC 27603

Dear Chairman Finley:

In response to your letter to me dated December 11, 2013, and as committed to by the North Carolina Transmission Planning Collaborative (NCTPC) by my letter dated January 30, 2014, the NCTPC has completed and publically posted the final report of the joint interregional transmission study. This study involved the collaborative efforts of the participants of the NCTPC and technical personnel from the PJM Interconnection (PJM) and the Midcontinent Independent System Operator, Inc. (MISO), to evaluate potential congestion impacts to the transmission systems of Duke Energy Carolinas and Duke Energy Progress, as a result of loop flows caused by MISO generation resources delivered to PJM in the 2016/2017 timeframe.

The complete joint study report can be found on the NCTPC website at the following link:
http://www.nctpc.org/nctpc/document/REF/2015-02-12/NC_Impacts_of_PJM_2016-17_BRA_-_FINAL_021015_v2.pdf

The initial results of the joint study report were first presented at the Transmission Advisory Group (TAG) meeting held in Raleigh on December 15, 2014. In summary, the study findings indicate that the potential effects of increased loop flows on the fuel costs to Duke Energy customers are relatively small, estimated at about $3 million to $9 million of increased costs. These increased costs result from increased congestion between Duke Energy Carolinas and Duke Energy Progress for less than 20 hours in 2016. However, the study also indicated that there may be reliability concerns during peak periods of the year resulting from the increased loop flows. The loop flows do increase loadings on Duke Energy facilities that may result in overloads when lines or generators are out of service.

The reliability concerns, as well as the potential for increased costs, have led Duke Energy to initiate discussions with PJM regarding the establishment of operating procedures to alleviate these issues should they appear. Given that the time horizon is short, and that the magnitude of resources to be imported into PJM is for one year only (2016), both parties believe that the establishment of operating procedures is the most appropriate way to address potential issues. Although the potential may be small, Duke Energy believes it is prudent to put operating procedures in place before there is any impact.

PJM has indicated a willingness to discuss and address the issues, and initial discussions have already been held. We have also discussed the need to annually review the results of PJM's capacity solicitations to ensure that any potential issues are identified and addressed well in advance of their occurrence.

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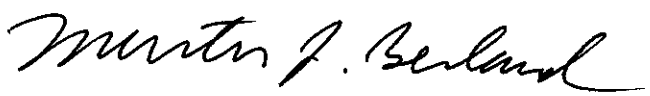
Additionally, as previously committed to by the NCTPC, a technical expert from the NCTPC Planning Working Group has been assigned and will continue to monitor the Entergy integration into MISO, including the development of the Operations Reliability Coordination Agreement, and will provide quarterly updates of the integration status at the regularly-scheduled TAG meetings.

The NCTPC would be happy to discuss the study results with you in more detail. Please contact Sam Waters, General Manager of Duke Energy Transmission Planning, if you would like any more information or further discussion of either the joint study results or the ORCA development. We look forward to continuing to work with the Commission on these important issues.

Sincerely,



Martin J. Berland
Chair, Oversight and Steering Committee
North Carolina Transmission Planning Collaborative
c/o ElectriCities of North Carolina, Inc.

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Mr. Gregory Carmean, Organization of PJM States
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