

## THE COMPONENTS OF A DUKE ENERGY PROGRESS RESIDENTIAL ELECTRIC BILL

Many factors affect the cost of electricity, including fuel prices, changing energy demand and new government requirements such as new environmental regulations. A residential electric bill consists of several components, each subject to review and approval by the North Carolina Utilities Commission (NCUC).

On Duke Energy Progress' North Carolina residential customer bill, the charges are divided into three main categories (shown below). The following example shows a detailed breakdown of the costs using a current 1,000 kilowatt-hours (kWh) residential bill.

Description		Cost
A. Electric Service		\$105.44
A1. Basic Customer Charge	\$6.75	
A2. Base Rate	\$76.32	
A3. Fuel Adjustment	\$19.31	
A4. DSM/EE Adjustment	\$3.06	
B. REPS Charge		\$0.56
C. 3% North Carolina sales tax		\$3.18
<b>TOTAL</b>		<b>\$109.18</b>

### Below is an explanation of each billing component:

**A. Electric Service:** The electric service charge includes all of the costs involved in producing and distributing electricity. It is made up of the following four components:

**A1. Basic Customer Charge:** The basic customer charge is a fixed monthly amount to cover the cost of maintaining your electric meter and the wires that bring service to your home or business as well as maintaining customer records, billing and other transactions affecting the account. It is applicable whether or not electricity is used.

**A2. Base Rate:** The base rate covers the costs of producing and delivering electricity to homes and businesses, including building and maintaining power plants, power lines and poles, substations, bucket trucks, employee salaries and similar costs. It also includes a general rate case fuel cost (\$12.80 per 1,000 kWh), established during the last base rate case proceeding in 1987. There has been no change in the base rate component of the bill since 1988.

**Note:** The basic customer charge is a base rate charge. The basic customer charge (\$6.75) and the base rate charge (\$76.32) equal the TOTAL base rate (\$83.07).

**A3. Fuel Adjustment:** The fuel adjustment recovers the actual costs of natural gas, uranium, coal and oil used to generate electricity. The charge also includes the cost of materials used in emission reduction at coal-fired power plants, including limestone. Duke Energy Progress actively works to lower its fuel costs and makes no profit from the fuel component of the bill. The fuel charge is reviewed annually by the NCUC and adjusted to reflect changes in the actual costs incurred.

**A4. DSM/EE Adjustment:** This adjustment recovers the costs of offering demand-side management (DSM) and energy-efficiency (EE) programs. All programs are approved by the NCUC to ensure they assist customers in using electricity wisely. The DSM/EE charge is reviewed annually by the NCUC and adjusted to reflect changes in the actual costs incurred.

**B. REPS\* Charge:** These are costs incurred for acquiring electric generation from renewable energy and energy-efficiency resources such as solar, wind, hydroelectric, biomass and other sources. The REPS charge is reviewed annually by the NCUC and adjusted to reflect changes in the actual costs incurred.

*\*REPS stands for "Renewable Energy Portfolio Standard." A 2007 North Carolina law requires the company to provide an increasing percentage of energy sales from renewable resources, subject to a rate cap. The requirement grows from 3 percent in 2012 to 12.5 percent of retail sales in 2021 and includes specific requirements for energy generated from solar sources, poultry waste and hog waste. The company has signed contracts to purchase energy from a number of solar photovoltaic arrays, biofuels facilities and other renewable sources, and continues to scour the market for additional cost-effective renewable energy opportunities.*

**C. Sales Tax:** A North Carolina sales tax of 3 percent is applied to residential bills. These taxes are collected by Duke Energy Progress and paid directly to the state. Duke Energy Progress does not keep these tax dollars.