

Shearon Harris Nuclear Power Plant Units 2 and 3

COL Application

Part 1

General and Financial Information

Revision 5

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Part 1, General and Financial Information**

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1.0 GENERAL AND FINANCIAL INFORMATION

1.1 GENERAL INFORMATION

Pursuant to Sections 103 and 185(b) of the Atomic Energy Act, and 10 CFR Part 52, Subpart C, Progress Energy Carolinas, Inc., a wholly-owned subsidiary of Progress Energy, Inc., hereby applies to the U.S. Nuclear Regulatory Commission for a combined license (COL) to construct and operate Shearon Harris Nuclear Power Plant, Units 2 and 3 (HAR 2 and 3). HAR 2 and 3 is a two unit Westinghouse AP1000 standard design for a pressurized water reactor. Progress Energy Carolinas, Inc. also applies for such other licenses as would be required to receive, possess and use source, special nuclear and byproduct material in connection with the operation of HAR 2 and 3.

On July 2, 2012, a merger occurred between Duke Energy Corporation and Progress Energy, Inc., the holding company of Progress Energy Carolinas, Inc. Through this merger, Duke Energy Corporation became the holding company of Progress Energy, Inc. Progress Energy, Inc. continues to be the holding company of Progress Energy Carolinas, Inc. Following this merger, Duke Energy Corporation, as the ultimate holding company of Progress Energy Carolinas, Inc., is now the largest electric power holding company in the United States with more than \$100 billion in total assets. Duke Energy Corporation is duly organized and existing under the laws of the State of Delaware. The company's general office, and principal place of business, is located in Charlotte, North Carolina, and through its subsidiaries, also transacts business on a regular basis in South Carolina, Kentucky, Ohio, Florida, and Indiana. It is an investor-owned corporation focused on electric power and gas distribution operations, and other energy services in both North and South America. Through its regulated electric and gas utility operating companies, Duke Energy Carolinas, Duke Energy Ohio, Duke Energy Indiana, Duke Energy Kentucky, Progress Energy Carolinas and Progress Energy Florida, Duke Energy Corporation operates more than 57,000 MW of regulated electric generation and 8,100 MW of unregulated electric generation in the United States. A diverse fuel mix of nuclear, coal-fired, hydro-electric and combustion-turbine generation allows Duke Energy Corporation to provide this generating capacity to more than 7 million electric and 0.5 million gas customers located in the combined service territories of these operating companies. Duke Energy Corporation is a Fortune 250 company, and its shares are publicly held and listed for trading on the New York Stock Exchange under the symbol DUK.

This application and supporting environmental report are intended to provide sufficient information for the NRC to complete its technical and environmental reviews and allow the NRC to make the finding required by 10 CFR 52.97 in support of the issuance of a COL for HAR 2 and 3. The following is the application filing and content information required by 10 CFR 50.33.

1.1.1 NAME OF APPLICANT

Progress Energy Carolinas, Inc.

1.1.2 ADDRESS OF APPLICANT

Progress Energy Carolinas, Inc.
410 S. Wilmington Street
Raleigh, NC 27601-1748

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Address of Harris [Nuclear Plant]:

Progress Energy Carolinas, Inc.
Shearon Harris Nuclear Power Plant
5413 Shearon Harris Rd.
New Hill, NC 27562

1.1.3 DESCRIPTION OF BUSINESS OCCUPATION OF APPLICANT

Progress Energy, Inc. is a holding company that includes regulated subsidiaries, Progress Energy Carolinas, Inc. (PEC) and Progress Energy Florida, Inc. (PEF). Progress Energy, Inc. is now a wholly-owned subsidiary of Duke Energy Corporation. PEC, the applicant of the HAR 2 and 3 COLs, is primarily engaged in the generation, transmission, distribution, and sale of electricity in portions of North Carolina and South Carolina. PEC serves approximately 1.4 million customers in a territory encompassing over 34,000 square miles including the cities of Raleigh, Wilmington, Fayetteville, and Asheville in North Carolina, and Florence and Sumter in South Carolina. PEC owns and operates the following nuclear units:

- Harris – The single-unit, 900-MW Harris Nuclear Plant is located near New Hill, N.C. It is Progress Energy's newest nuclear plant, beginning commercial operation in 1987.
- Brunswick - The two-unit, 1,875-MW Brunswick Nuclear Plant is located near Southport, N.C. An additional 244 megawatts of electrical generation was added to the plant's output from 2002 to 2005 as part of an extended power uprate program that upgraded much of the plant's equipment.
- Robinson - The single-unit, 710-MW Robinson Nuclear Plant is located near Hartsville, S.C. In addition to this nuclear unit, this site includes a combustion turbine unit that generates 15 MW.

Progress Energy, Inc. is duly organized and existing under the laws of North Carolina, and is located in Raleigh, NC. As such, it is subject to regulation by the Federal Energy Regulatory Commission (FERC) under the regulatory provisions of the Public Utility Holding Company Act of 2005 (PUHCA 2005). PEC is a regulated public utility and is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (SCPSC), the United States Nuclear Regulatory Commission (NRC) and the FERC.

1.1.4 ORGANIZATION AND MANAGEMENT OF APPLICANT

1.1.4.1 Progress Energy Carolinas, Inc.

The business of Progress Energy Carolinas, Inc. is conducted by its own Board of Directors, although for internal governance purposes, the Duke Energy Corporation Board of Directors also has approval authority over certain types of transactions.

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The business address, names and citizenship of the current directors of Progress Energy Carolinas, Inc., are as follows:

Progress Energy Carolinas, Inc.
410 S. Wilmington Street
Raleigh, NC 27601-1748

Name	<u>Citizenship</u>
James E. Rogers	US
Lynn J. Good	US
Julia S. Janson	US
Dhiaa M. Jamil	US
B. Keith Trent	US
Jeffrey Corbett	US
Lloyd Yates	US
Jim Scarola	US

The business address, names, current titles and citizenship of the current executive officers and senior nuclear leadership of Progress Energy Carolinas, Inc., are as follows:

Progress Energy Carolinas, Inc.
410 S. Wilmington Street
Raleigh, NC 27601-1748

Name and Position	Citizenship
James E. Rogers Chief Executive Officer	US
Joseph W. Donahue Vice President, Nuclear Oversight	US
Robert J. Duncan Senior Vice President – Nuclear Operations, Catawba, Harris, McGuire	US
Christopher M. Fallon Vice President, Nuclear Development	US

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Name and Position	Citizenship
Lynn J. Good Executive Vice President and Chief Financial Officer	US
Dhiaa M. Jamil Executive Vice President and Chief Nuclear Officer	US
Julia S. Janson Executive Vice President and Chief Legal Officer	US
Garry D. Miller Senior Vice President, Nuclear Engineering	US
John W. Pitesa Senior Vice President – Nuclear Operations, Brunswick & Robinson	US
Regis T. Repko Senior Vice President – Nuclear Operations, Crystal River & Oconee	US
B. Keith Trent Executive Vice President and Chief Operating Officer, Regulated Utilities	US
Jennifer L. Weber Executive Vice President and Chief Human Resources Officer	US
Lloyd M. Yates Executive Vice President, Regulated Utilities	US

1.1.4.2 Parent Company Organization

1.1.4.2.1 Duke Energy Corporation

The business of Duke Energy Corporation is conducted by the Duke Energy Corporation Board of Directors. The business address, names and citizenship of the current directors of Duke Energy Corporation are as follows:

Duke Energy Corporation
550 South Tryon Street
Charlotte, NC 28202.

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Name	Citizenship
William Barnet III	US
G. Alex Bernhardt, Sr.	US
Michael G. Browning	US
Harris E. DeLoach, Jr.	US
Daniel R. DiMicco	US
John H. Forsgren	US
Ann Maynard Gray	US
James H. Hance, Jr.	US
James B. Hyler, Jr.	US
E. Marie McKee	US
E. James Reinsch	US
James T. Rhodes	US
James E. Rogers	US
Carlos A. Saladrigas	US
Philip R. Sharp	US

The business address, names, current titles and citizenship of the current executive officers of Duke Energy Corporation are as follows:

Duke Energy Corporation
550 South Tryon Street
Charlotte, NC 28202.

Name and Position	Citizenship
James E. Rogers President and Chief Executive Officer	US
Lynn J. Good Executive Vice President and Chief Financial Officer	US

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Name and Position	Citizenship
Dhiaa M. Jamil Executive Vice President and Chief Nuclear Officer	US
Julia S. Janson Executive Vice President, Chief Legal Officer and Corporate Secretary	US
Marc E. Manly Executive Vice President and President, Commercial Businesses	US
B. Keith Trent Executive Vice President and Chief Operating Officer, Regulated Utilities	US
Jennifer L. Weber Executive Vice President and Chief Human Resources Officer	US
Lloyd M. Yates Executive Vice President, Regulated Utilities	US
Steven K. Young Vice President, Chief Accounting Officer and Controller	US

1.1.4.2.2 Progress Energy, Inc.

Progress Energy, Inc. is a direct subsidiary of Duke Energy Corporation. Progress Energy, Inc. is the direct parent of Progress Energy Carolinas, Inc. Progress Energy, Inc. is duly organized and existing under the laws of North Carolina, and is located in Raleigh, NC. The business of Progress Energy, Inc. is conducted by its Board of Directors. The business address, name and citizenship of the current director of Progress Energy, Inc. is as follows:

Progress Energy, Inc.
410 South Wilmington Street
Raleigh, NC 27601

Name	Citizenship
Lynn J. Good	US
The business address, names, current titles and citizenship of the current executive officers of Progress Energy, Inc. are as follows:	

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Progress Energy, Inc.
410 South Wilmington Street
Raleigh, NC 27601

Name and Position	Citizenship
James E. Rogers President and Chief Executive Officer	US
Lynn J. Good Executive Vice President and Chief Financial Officer	US
Julia S. Janson Executive Vice President and Chief Legal Officer	US
Jennifer L. Weber Executive Vice President and Chief Human Resources Officer	US
Steven K. Young Vice President, Chief Accounting Officer and Controller	US

1.1.4.3 Foreign Ownership, Control or Domination

Progress Energy Carolinas, Inc., is an indirect, wholly owned subsidiary of Duke Energy Corporation. The shares of common stock of Duke Energy Corporation are publicly traded and widely held. The directors and officers of Duke Energy Corporation, Progress Energy, Inc., and Progress Energy Carolinas, Inc. are U. S. citizens. Duke Energy Corporation, Progress Energy, Inc., and Progress Energy Carolinas, Inc. are not owned, controlled, or dominated by any alien, foreign corporation, or foreign government.

1.1.5 CLASS AND PERIOD OF LICENSE SOUGHT AND AUTHORIZED USES

PEC requests issuance of a Class 103 Facility Operating License for a period of no less than 40 years beyond the Commission's determination in 10 CFR 52.103(g) or allowing operation during an interim period under 52.103(c). HAR 2 and 3 will be used to produce electricity for sale.

In addition, this application is for the necessary licenses issued under 10 CFR Part 30, 10 CFR Part 40, and 10 CFR Part 70 to receive, possess, and use byproduct, source and special nuclear material. Special nuclear material shall be in the form of reactor fuel and spent fuel, in accordance with limitations for storage and amounts required for reactor operation, as described in Part 2 of this application. Byproduct, source, and special nuclear material shall be in the form of sealed neutron sources for reactor startup and sealed sources for reactor instrumentation, radiation monitoring equipment, calibration, and fission detectors in amounts as required. In preparation for the initial fuel loading, limitations on byproduct material and Part 40 specifically licensed source material will be as described in this application. Following the 52.103(g) finding, byproduct, source, and special nuclear material in amounts as required, without restriction to

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chemical or physical form, shall be for sample analysis, instrument and equipment calibration, or associated with radioactive apparatus or components.

1.1.6 ALTERATION SCHEDULE

PEC does not propose to alter any production or utilization facility in connection with this application.

1.1.7 REGULATORY AGENCIES AND LOCAL PUBLICATIONS

The Federal Energy Regulatory Commission and the North Carolina Utilities Commission are the principal regulators of PEC's electric operations in North Carolina. As discussed in Section 1.1.3, PEC is also regulated by the Public Service Commission of South Carolina.

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, NC 27699-4325

Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Area and local news publications and addresses are provided below.

The News & Observer
215 S. McDowell Street
Raleigh, NC 27602

The Sanford Herald
208 St. Clair Ct.
Sanford, NC 27330

The Southern Pines Pilot
P.O. Box 58
Southern Pines, NC 28388

1.1.8 RADIOLOGICAL EMERGENCY RESPONSE PLANS

Progress Energy's approach for development of the integrated Units 1, 2, and 3 HNP Emergency Plan submitted as Part 5 of the COL application (COLA) involved incorporating all current Unit 1 emergency plan information and program elements into a new document that addresses emergency preparedness for a 3-unit site. The COLA emergency plan meets all

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current NRC requirements and regulatory guidance and was developed as a comprehensive “complete and integrated” emergency plan, in accordance with Regulatory Guide 1.206, Section C.I.13.3.1.

Elements of the current emergency plan and the capability of the on-site and off-site emergency organizations to respond to and recover from a classified emergency have been successfully demonstrated in actual events, periodic drills, and NRC/FEMA evaluated exercises in support of Unit 1. NRC EP programmatic inspections and periodic independent 10 CFR 50.54 (t) audits indicate that the current Unit 1 emergency plan and emergency preparedness program is maintained and updated appropriately in accordance with NRC requirements.

The Units 1, 2, and 3 HNP Emergency Plan contains the same EP program elements as the Unit 1 emergency plan; and both plans provide “reasonable assurance that adequate protective measures can and will be taken in the event of a radiological emergency”. The combined emergency plan for all units, in conjunction with state and county plans, assures that adequate protective measures can be taken to protect on-site personnel and the public in the event of an emergency at the site.

The Units 1, 2, and 3 HNP Emergency Plan will be implemented in accordance with an implementation plan and milestone schedule described in the EP portion of the COLA (COLA Part 5). The implementation plan describes transition from the current existing Unit 1 emergency plan to the Units 1, 2, and 3 Emergency Plan.

Prior to construction of the new units, the existing Unit 1 emergency plan will continue to be updated, as necessary, based on changes to the current emergency preparedness program (including a revised evacuation time estimate study performed every five (5) years). These changes will be evaluated in accordance with 10 CFR 50.54(q). Prior to construction of Unit 2, the current Plan will be updated, via an addendum, to address construction staffing and changes to the evacuation and assembly process due to construction activities. In preparation for the exercise to support fuel load on Unit 2, the COLA emergency plan will be updated to include operations of Units 1 and 2 (shift staffing; any new evacuation time estimate information; equipment changes) and information pertinent to construction of Unit 3. After fuel load on Unit 2, the COLA emergency plan will be implemented to address operation of Units 1 and 2, and address construction on Unit 3. In preparation for the exercise to support fuel load on Unit 3, the COLA emergency plan will be updated to include all information which is specific to operations of Units 1, 2, and 3 and describe other changes (for example, removal of Unit 3 construction data). All changes to the emergency plan throughout this process will be evaluated under the 10 CFR 50.54(q) process to determine if there is a decrease in effectiveness of the emergency preparedness program.

Radiological emergency response plans of State and local government entities in the United States that are wholly or partially within the plume exposure pathway emergency planning zone (EPZ), as well as plans of State governments wholly or partially within the ingestion pathway EPZ are included in COLA Part 5.

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2.0 FINANCIAL QUALIFICATIONS

2.1 CONSTRUCTION COSTS

***Proprietary Information - Withheld under 10 CFR 2.390(a)(4)
(See COL Application Part 9.1)***

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*Proprietary Information - Withheld under 10 CFR 2.390(a)(4)
(See COL Application Part 9.1)*

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2.2 OPERATING COSTS

Progress Energy Carolinas, Inc. (PEC) is a wholly-owned subsidiary of Progress Energy, Inc., which is in turn a wholly-owned subsidiary of Duke Energy Corporation. Progress Energy Carolinas, Inc. is an electric utility as defined in 10 CFR 50.2. PEC generates and distributes electricity and recovers the cost of this electricity through cost-of-service based rates established by the North Carolina Public Utility Commission, South Carolina Public Service Commission, and FERC. Thus, as addressed in 10 CFR 50.33(f), estimates of operating costs for the first five years of operation are not required to be submitted.

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3.0 DECOMMISSIONING FUNDING ASSURANCE

In accordance with 10 CFR 50.33(k) and 10 CFR 50.75(b), a decommissioning report is provided as Appendix A. This report certifies that decommissioning will be provided in an amount no less than the amount required by 10 CFR 50.75(c)(1) adjusted using a rate at least equal to that stated in 10 CFR 50.75(c)(2). This amount is currently \$368,569,138 for each unit. Updated certifications and financial instruments will be submitted in accordance with 10 CFR 50.75(e)(3), and after the NRC publishes notice in the Federal Register under 10 CFR 52.103(a), the decommissioning funding amount will be adjusted using a rate at least equal to that stated in 10 CFR 50.75(c)(2). The decommissioning funding amount will be covered by PEC by the external sinking fund method. PEC will collect decommissioning funding contributions through regulated, cost-of-service based rates.

3.1 DECOMMISSIONING COSTS AND FUNDING - STATUS REPORTING

In accordance with 10 CFR 50.75(e)(3), PEC will, two years before and one year before the scheduled date for initial loading of fuel, submit a report containing a certification updating the information described in 10 CFR 50.75(b)(1). PEC will periodically report on the status of decommissioning funding on HAR 2 and 3.

3.2 RECORDKEEPING PLANS RELATED TO DECOMMISSIONING FUNDING

In accordance with 10 CFR 50.75(g), PEC will retain records, until the termination of the license, of information important to the safe and effective decommissioning.

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4.0 RESTRICTED DATA AND CLASSIFIED NATIONAL SECURITY INFORMATION

The combined license application for HAR 2 and 3 does not contain any Restricted Data or other Classified National Security Information, nor does it result in any change in access to any Restricted Data or National Security Information. In addition, it is not expected that activities conducted in accordance with the proposed combined license will involve such information. However, in the event that such information does become involved, and in accordance with 10 CFR 50.37, "Agreement limiting access to Classified Information," PEC will not permit any individual to have access to, or any facility to possess, Restricted Data or Classified National Security Information until the individual and/or facility has been approved for such access under the provisions of 10 CFR 25, "Access Authorization," and/or 10 CFR 95, "Facility Security Clearance and Safeguarding of National Security Information and Restricted Data."

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APPENDIX A DECOMMISSIONING REPORT

Table A-1 provides the estimate of the total decommissioning costs, in 2007 dollars, for each HAR unit, using the formula given in 10 CFR 50.75. This is based on a thermal power rating for the AP1000 of 3400 MWt.

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**Table A-1
Decommissioning Costs per Unit for HAR 2 and 3**

SHEARON HARRIS AP 1000 NUCLEAR POWER UNIT (PWR)						
CALCULATION OF CERTIFICATION AMOUNT						
PER THE NUCLEAR REGULATORY COMMISSION						
- MARCH 2007 UPDATE -						
NRC REQUIRED MINIMUM DECOMMISSIONING AMOUNTS APPLICABLE (based on 10 CFR 50.75(c))*						
MINIMUM AMOUNT (JAN. 1986 DOLLARS) REQUIRED TO DEMONSTRATE REASONABLE ASSURANCE OF FUNDS FOR DECOMMISSIONING:						
Planned Reactor Power = 3400 mWt						
NRC Minimum Amount		=	\$105,000,000			
Cost Elements in 1986 dollars:						
FORMULA*	=	.65L + .13E +.22B	L = ESCALATION FACTOR FOR LABOR E = ESCALATION FACTOR FOR ENERGY B = ESCALATION FACTOR FOR WASTE BURIAL			
LABOR COSTS		.65 x \$105,000,000	=	\$68,250,000		
ENERGY COSTS		.13 x \$105,000,000	=	13,650,000		
WASTE BURIAL		.22 x \$105,000,000	=	23,100,000		
				<u>\$105,000,000</u>		
ESCALATION OF COST FACTORS TO MARCH 2007:						
LABOR		\$68,250,000	x	104.3 x 1.98 /100	(1)	= \$140,945,805
ENERGY (2)	.58P x \$13,650,000	=	7,917,000	x	172.9/114.2	(2) = 11,986,421
	.42F x \$13,650,000	=	5,733,000	x	215.4/82.0	(2) = 15,059,612
WASTE BURIAL		\$23,100,000	x	8.683/1.000	(3)	= <u>200,577,300</u>
MINIMUM AMOUNT OF DECOMMISSIONING COSTS (IN MARCH 2007 DOLLARS)						<u><u>\$368,569,138</u></u>
						MINIMUM AMOUNT OF DECOMMISSIONING COSTS PER NRC FORMULA (MARCH 2007 DOLLARS)
PARTICIPANTS		PERCENTAGE				
		SHARE				
Power Agency		0.0000%		\$0		
SUBTOTAL - PARTICIPANTS		0.0000%		\$0		
PROGRESS ENERGY CAROLINAS		100.0000%		368,569,138		
TOTAL		100.0000%		<u><u>\$368,569,138</u></u>		

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Notes:

Labor and Energy indices are from the U.S. Department of Labor, Bureau of Labor Statistics, <http://stats.bls.gov>

(1) The labor adjustment factor has two components:

(a) The December 2005 base labor adjustment factor of 1.98 for the South Region (based on January 1986 index base value of 100), sourced from NUREG-1307 Rev. 12 Table 3.2;

(b) The March 2007 Employment Cost Index (ECI) of 104.3 (based on the December 2005 index base value of 100), sourced from Bureau of Labor Statistics Internet Data Page.

(2) Energy costs are composed of 58% electrical power and 42% fuel oil (per NUREG-1307).

The escalation factor for electrical power is the March 2007 value of 172.9 divided by the January 1986 base value of 114.2.

The escalation factor for light fuel oil is the March 2007 value of 215.4 divided by the January 1986 base value of 82.0.

(3) The escalation factor for waste burial is sourced from NUREG-1307 Rev. 12, Table 2.1.