



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

December 19, 2022

Ms. A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Re: Docket Nos: E-2, Sub 1294, and E-7, Sub 1265 – Update to the Commission regarding the use of agreed upon avoided Transmission and Distribution rates between the Public Staff and Duke

Dear Ms. Dunston:

The Public Staff wishes to provide an update to the Commission on collaboration between the Public Staff and Duke (both Duke Energy Carolinas, LLC, and Duke Energy Progress, LLC) regarding avoided transmission and distribution (Avoided T&D) rates and future Avoided T&D studies. This topic was most recently discussed in the testimony of Public Staff witness David M. Williamson filed in Docket Nos. E-2, Sub 1294, and E-7, Sub 1265. Mr. Williamson testified that Duke's 2021 Avoided T&D Study was still being reviewed and that such review should be finalized before the end of 2022.

In response to the Commission's October 20, 2020 Order Approving Revisions to Demand-Side Management (DSM) and Energy Efficiency (EE) Cost Recovery Mechanisms in Docket Nos. E-2, Sub 931, and E-7, Sub 1032, Duke and the Public Staff have worked jointly to validate agreed upon Avoided T&D rates resulting from Duke's 2021 Avoided T&D Study and to develop a process for conducting future Avoided T&D studies. As part of this process, Duke and the Public Staff reached a temporary agreement in late 2021 on Avoided T&D rates for both utilities that would apply to the determination of utility system benefits used in the cost recovery mechanism associated with the DSM/EE portfolio for Vintage 2023, respectively. Duke and the Public Staff agreed to this temporary application due to the ongoing review of T&D-related projects, which could not be completed by the end of 2021.

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Ms. A. Shonta Dunston  
Page Two  
December 19, 2022

Throughout 2022, Duke and the Public Staff continued to investigate the inputs and classification of T&D-related projects. That investigation led to a classification of projects based on increased capacity benefits, reliability improvements, or some combination of the two. Understanding whether or not a T&D project was being undertaken by Duke for capacity or reliability reasons was the basis for determining how a DSM or EE program could avoid the T&D expenditures and provide T&D system benefits. This classification process was the basis for the temporary agreement reached in late 2021 and has served as the basis for the ongoing review to refine the classification process that has continued into 2022.

Based on this collaboration, Duke and the Public Staff have reached an agreement that the Avoided T&D rates agreed to in late 2021 should continue to apply to the upcoming DSM/EE rider proceedings setting cost recovery for Vintage 2024 and Vintage 2025. This agreement will allow Duke to continue using the agreed upon Avoided T&D rates and associated escalator rates until the next Avoided T&D study is completed and reviewed with the Public Staff. Consistent with the terms of the EE/DSM Cost Recovery Mechanisms approved in Docket No. E-7 Sub 1032 and Docket No. E-2 Sub 931, Duke has informed the Public Staff that the next Avoided T&D Study will occur in 2024 and will be applied beginning with Vintage Year 2026, which will be reviewed in the calendar year 2025 DSM/EE rider proceedings. In the upcoming 2023 DSM/EE rider proceedings, Duke's testimony will provide an update on reaching this agreement and the application of the agreed upon Avoided T&D rates and associated escalators for vintage years 2024 and 2025. Additionally, Duke will provide an update on the process for determining the Avoided T&D rates to be used in Vintage Year 2026 and beyond.

As such, the Commission can expect to receive a more detailed update and explanation of the agreed upon T&D rates and the agreed upon process for conducting future Avoided T&D studies when Duke files its DSM/EE rider applications in 2023.

Sincerely,

Electronically submitted  
/s/ Thomas Felling  
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cc: Parties of Record