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January 29, 2024

**VIA ELECTRONIC FILING**

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

**RE: Recommended Resolution Regarding PBR Implementation  
Docket Nos. E-7, Sub 1276 and E-7, Sub 1134**

Dear Ms. Dunston:

In its *Order Approving Revenue Requirement, Rate Schedules, and Notice to Customers of Change in Rates*, issued on January 12, 2024, the North Carolina Utilities Commission (“Commission”) authorized Duke Energy Carolinas, LLC (“DEC” or the “Company”) to implement its new rates pursuant to the Commission’s rate case order issued December 15, 2023 for service rendered on and after January 15, 2024. In addition, the Commission further directed DEC and the Public Staff to confer on the dispute regarding the Performance-Based Regulation (“PBR”) commencement date for each of the rate years and to file a letter updating the Commission on the status of the dispute and a recommended resolution. This letter describes the recommended resolution agreed upon by DEC and the Public Staff.

**Background**

In its compliance filing made on January 5, 2024, the Company requested that PBR begin January 1, 2024, consistent with the Company’s request in the proceeding and the Commission’s approval. However, due to timing issues, the Company proposed, and the Commission approved, the new rates for Rate Year 1 to become effective January 15, 2024, while the Year 2 and Year 3 tariffs specify effective dates for service on or after January 1, 2025, and January 1, 2026, respectively.

The Public Staff filed a letter on January 9, 2024, recommending that the Commission deny the Company’s request to begin PBR on January 1, 2024, for the

purposes of calculating the PBR-related riders in the annual PBR compliance filings, and instead require that all elements of PBR—the Multi-year Rate Plan (“MYRP”), Earnings Sharing Mechanism (“ESM”), Decoupling, and Performance Incentive Mechanisms (“PIMs”)—begin on January 15, 2024, aligned with the new rates effective date. While the Company does not agree with the Public Staff’s legal position with respect to the permitted start date of PBR, the Company and Public Staff support the following recommended resolution.

*Recommended Resolution Regarding PBR Implementation*

**MYRP** – As stated above, the Rate Year 1 rates went into effect January 15, 2024, and the Year 2 and Year 3 tariffs list effective dates for service on or after January 1, 2025, and January 1, 2026, respectively. The parties agree that no further adjustments are needed.

**Decoupling** – In the decoupling calculation template, the Company will only include one half of the January 2024 amount to approximate a PBR start date of January 15, 2024. The end of Rate Year 1 for the decoupling rider will still be December 31, 2024. Thereafter, decoupling will be calculated for Rate Year 2 and Rate Year 3 based on the full calendar years of 2025 and 2026, respectively.

**ESM** – In the calculation for Rate Year 1, the Company will only include one half of the January 2024 earnings and the remaining 11 months of 2024 to approximate the earnings for the period of January 15, 2024 through December 31, 2024, which will be used as Rate Year 1 earnings in the calculation. Thereafter, ESM will be calculated for Rate Year 2 and Rate Year 3 based on the full calendar years of 2025 and 2026, respectively.

**PIMs**

- ***Time-Differentiated and Dynamic Rate Enrollment PIM*** – The Company will exclude customers who enroll in the eligible rates from January 1, 2024 through January 14, 2024 from the PIM calculation.
- ***Reliability PIM*** – No adjustment will be made to this PIM. The metric is based on calendar year SAIDI results and compares performance to historical calendar year averages adjusted for expected improvements in reliability for certain grid enhancement projects to be completed. In addition, the metric for the Duke Energy Progress, LLC (“DEP”) Reliability PIM is based on calendar year SAIDI, which does not align with the DEP Rate Years. Therefore, the parties agree that the metric does not need to align with the DEC rate year and can remain as calendar year 2024 for Rate Year.
- ***Renewables Integration & Encouragement PIM***
  - Metric A (net metering) – No adjustment will be made to this PIM. Similar to the Reliability PIM, the parties agree that the metric does not need to align with the rate year and can remain as calendar year 2024

Shonta A. Dunston Chief Clerk

January 29, 2024

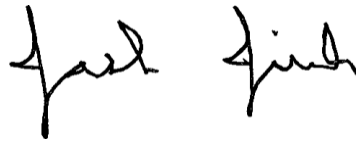
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for Rate Year 1. In addition, because this PIM compares to an annual number (3-year rolling average), it is appropriate to keep the metric as an annual number.

- Metric B (Large customer renewable programs) – No adjustment will be made to this PIM. The Company currently has no approved programs for customers to enroll in and so there were no customer enrollments between January 1, 2024 and January 15, 2024 to exclude.
- Metric C (Utility scale interconnection) - No adjustment will be made to this PIM. This PIM does not have a metric for Rate Year 1.

Please do not hesitate to contact me should you have any questions. Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Jirak". The signature is written in a cursive, flowing style.

Jack E. Jirak

cc: Parties of Record  
Christopher J. Ayers, Executive Director, Public Staff  
Lucy Edmondson, Chief Counsel, Public Staff

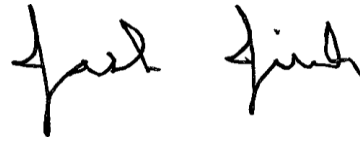
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Jan 29 2024

**CERTIFICATE OF SERVICE**

I certify that a copy of the Recommended Resolution Regarding PBR Implementation has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid, to parties of record.

This the 29<sup>th</sup> day of January, 2024.

A handwritten signature in black ink, appearing to read "Jack Jirak", written in a cursive style.

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