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NORTH CAROLINA UTILITIES COMMISSION

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North Carolina Utilities Commission Approves Coal Ash Settlement in Rate Case Order for Duke Energy Progress

Raleigh, NC – The North Carolina Utilities Commission today issued an order approving a partial rate increase for Duke Energy Progress, LLC (DEP), including approval of a settlement addressing coal ash costs.

On October 30, 2019, DEP filed a request for a \$463.6 million, 12.3% rate increase. Pursuant to statute, DEP implemented temporary rates in September of 2020 to cover a portion of its requested increase. The Commission anticipates that the final rates, which have yet to be calculated, will be somewhat higher than the temporary rates that are currently in effect.

DEP and the Public Staff of the North Carolina Utilities Commission (Public Staff) filed a settlement on July 31, 2020, in which they agreed to an overall rate of return of 6.93%, which included a rate of return on common equity of 9.6% applied to a capital structure with 52% members' equity. The Commission's decision today approves the return and capital structure that were agreed to by the Public Staff and DEP, finding them to be "just and reasonable." (In DEP's last general rate case order issued February 23, 2018, the Commission approved a 9.9% rate of return on common equity applied to a capital structure with 52% members' equity.)

In this proceeding DEP initially sought approval for deferral accounting treatment of \$987.8 million for 16 Grid Improvement Plan (GIP) programs. DEP and the Public Staff reached a settlement on DEP's GIP proposal, agreeing to reduce the number of programs to eight for spending that is planned to occur from June 1, 2020, through December 31, 2022, and to report to the Commission periodically on the implementation and effectiveness of the programs. Today's order accepts that settlement but imposes a \$400 million limit on the total amount approved for deferral treatment. The Commission's decision does not approve cost recovery; rather, the decision allows DEP to treat costs incurred in pursuing the settled GIP programs as regulatory assets pending a determination of reasonableness and prudence in a future rate case proceeding. DEP remains fully at risk for the reasonableness and prudence determination of its GIP-related costs when DEP seeks to recover its costs in a future proceeding.

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On January 25, 2021, DEP, the Public Staff, the Attorney General's Office, and the Sierra Club filed a settlement addressing costs related to coal ash. Today's order approves that settlement. DEP had originally sought recovery in this case of \$399,134,625 for coal ash basin closure and compliance costs that it incurred from September 1, 2017, through February 29, 2020, and another \$40,980,404 for related financing costs incurred by the Company through August 2020. The settlement reduced the amount of coal ash costs and financing costs sought for recovery in this case by \$261 million. The settlement permits DEP to recover its financing costs, at a reduced rate. In addition, the settlement reduces by \$162 million the amount of coal ash costs that DEP may recover during the period from March, 2020, through February 28, 2030, and establishes a reduced rate for financing costs incurred during that same time period. Also, the settlement obligates DEP to share with its customers proceeds from ongoing coal ash insurance litigation.

Finally, the Commission's order today directs DEP to participate in a collaborative proceeding to examine and address affordability for low-income residential customers. In addition, today's order approves a shareholder-funded contribution (made by DEP and Duke Energy Carolinas, LLC) to the Helping Home Fund of \$3 million per year for two years (for a total of \$6 million), as well as an annual \$2.5 million shareholder contribution by DEP to the Energy Neighbor Fund in 2021 and 2022 (for a total of \$5 million).

The Commission's decision today follows five public witness hearings held throughout DEP's North Carolina service area during February and March of 2020, at which 58 public witnesses testified, as well as an expert witness hearing beginning August 24, 2020, and conducted by remote means, at which 60 expert witnesses presented testimony.

The Commission's order addresses each of the issues raised in the proceeding. A copy of the complete order and the entire record in this proceeding is available on the Commission's website, www.ncuc.net, under Docket No. E-2 Sub 1219.

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