

EXECUTIVE SUMMARY

DUKE ENERGY CAROLINAS, LLC TRANSMISSION AND DISTRIBUTION MYRP TECHNICAL CONFERENCE PRESENTATION MATERIALS

Docket No. E-7, Sub 1276

Background

On October 13, 2021, Governor Cooper signed into law House Bill 951, which, among other things, authorized the Commission to approve for electric public utilities Performance-Based Regulation (“PBR”) plans, including a Multiyear Rate Plan (“MYRP”), decoupling for residential customers, and one or more Performance Incentive Mechanisms. On February 10, 2022, the North Carolina Utilities Commission (“Commission”) adopted rules for implementing the statute, which require electric public utilities to file a request for a technical conference 90 days prior to filing a 30-day notice of a general rate case that will include a PBR application. Duke Energy Carolinas, LLC (“DEC” or “the Company”) filed such a request on September 8, 2022, in Docket No. E-7, Sub 1276. The purpose of the Technical Conference is to present the projected transmission and distribution projects to be included in the PBR application. Accordingly, DEC has included in this filing proposed projected transmission and distribution projects (including energy storage projects functionalized as distribution assets) and information supporting the need for these investments and how they will benefit customers. The Company will also present information on the proposed MYRP transmission and distribution investments in the Technical Conference scheduled by the Commission on November 2, 2022.

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DEC’s investment in transmission and distribution programs/projects continues to be heavily influenced by the Megatrends impacting the electric generation, transmission, and

distribution industry in North Carolina and nationally. These Megatrends were identified and discussed at length in DEC's last general rate case proceeding in Docket No. E-7, Sub 1214 and illustrate (1) the need for grid improvement, (2) technical advancements in renewables and Distributed Energy Resources ("DERs"), (3) increased efforts to address threats to grid infrastructure, (4) impacts of more severe weather, (5) concentrated urban population growth, (6) evolving customer expectations around service continuity and reliability, and (7) enhanced environmental expectations and requirements to reduce carbon and greenhouse gas emissions. These Megatrends impact DEC's operations in all regards ranging from the scope and scale of what might be characterized as regular maintenance of existing facilities, to the implementation of new technologies needed to facilitate grid transformation. Given the continuing influence of these factors, DEC used a data-driven process to select projects that, in its estimation, are best suited to enhance grid resiliency and flexibility, expand the use of renewables and DER on its system, and provide equitable access to grid benefits for customers. The relevant support for each proposed program/project is set forth in the materials included in this filing and demonstrate the need for and prudence of the proposed MYRP programs/projects.

The Company understands that the Commission's consideration of the Carbon Plan is ongoing at this point. The projects included in this filing are foundational to a clean energy transition and would be pursued as part of prudent utility resource planning and under any of the Carbon Plan scenarios proposed by the Company on May 16, 2022, in Docket No. E-100, Sub 179.

Additionally, the Commission has opened a docket (Docket No. M-100, Sub 164) on the Infrastructure Investment and Jobs Act ("IIJA") and funding opportunities that may be available. The Company is evaluating these opportunities, intends to pursue opportunities that will optimize benefits for customers, and will keep the Commission updated on the status of its efforts. If the

Company receives a grant for one of the projects included in the MYRP prior to the close of the evidentiary hearing in the general rate proceeding, the Company will update the revenue requirement for the project to reflect the funding. If the grant for one of the projects included in the MYRP is received after the close of the evidentiary hearing, the Company commits to ensuring that customers receive the benefit of the grant either through creation of a regulatory liability or other mechanism approved by the Commission. The Company would look to tools similar to those employed to ensure customers received the benefit of the decrease in the federal income tax rate resulting from the 2017 Tax Cut & Jobs Act (Docket No. M-100, Sub 148).

Finally, the project and cost estimates included in these materials are as of a point in time. The Company may revise the estimates or projects included in the PBR application to be filed no earlier than January 6, 2023. The Company looks forward to discussing its proposal for projected MYRP transmission and distribution investments with the Commission on November 2, 2022.