

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1134
DOCKET NO. E-7, SUB 1276

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | | |
|--|---|--------------------------|
| DOCKET NO. E-7, SUB 1134 |) | |
| |) | |
| In the Matter of |) | |
| Application of Duke Energy Carolinas, LLC |) | |
| for Approval to Construct a 402 MW Natural |) | |
| Gas-Fired Combustion Turbine Electric |) | |
| Generating Facility in Lincoln County |) | ORDER APPROVING REVENUE |
| |) | REQUIREMENT, RATE |
| DOCKET NO. E-7, SUB 1276 |) | SCHEDULES, AND NOTICE TO |
| |) | CUSTOMERS OF CHANGE IN |
| In the Matter of |) | RATES |
| Application of Duke Energy Carolinas, LLC, |) | |
| for Adjustment of Rates and Charges |) | |
| Applicable to Electric Service in North |) | |
| Carolina and Performance-Based Regulation |) | |

BY THE COMMISSION: On December 15, 2023, the Commission issued an Order Accepting Stipulations, Granting Partial Rate Increase, Requiring Public Notice, and Modifying Lincoln CT CPCN Conditions (Rate Case Order) in the above-captioned docket authorizing Duke Energy Carolinas, LLC (DEC), to adjust its rates and charges for retail electric service in North Carolina. The Rate Case Order, among other things, directed DEC to file for Commission approval a proposed Notice to Customers informing its customers of the rate changes.¹

On December 20, 2023, and January 5, 2024, DEC filed several exhibits demonstrating its calculations of base and total revenues, rate schedules, and other calculations (rate schedules), as well as a proposed customer notice (collectively compliance filings). With regard to the December 20, 2023 compliance filing, DEP stated that it shared all documents with the Public Staff and made a number of minor updates based on their feedback. As to the January 5, 2024 compliance filing, DEC indicated that

¹ More particularly, Ordering Paragraph Nos. 58 and 59 require DEC to file the final annual revenue requirements for Rate Years 1, 2, and 3 and schedules summarizing the gross revenue and the rate of return that DEC should have the opportunity to achieve based on and consistent with the Rate Case Order. Ordering Paragraphs 61 and 62 require DEC to file all rate schedules with accompanying calculations designed to comply with the Rate Case Order and to submit a proposed customer notice to the Commission for review and approval.

the Public Staff verified the accuracy of the calculations and also reviewed and approved the proposed Notice to Customers.

Further, DEC's cover letter accompanying the December 20, 2023 compliance filing noted that DEC plans to implement new rates January 1, 2024,² but that the start of the MYRP period Rate Year 1 would be January 1, 2024. Also, DEC's cover letter filed contemporaneously with its January 5, 2024 compliance filing explained that its proposed Year 1 tariffs are effective for service on or after January 15, 2024, whereas its proposed Year 2 and Year 3 tariffs become effective on or after January 1, 2025, and January 1, 2026, respectively.

In addition, DEC noted that it still requests that the Commission-approved performance-based regulation (PBR) plan, including the multiyear rate plan (MYRP) with the earnings sharing mechanism (ESM), residential decoupling, and performance incentive mechanisms (PIMs) begin January 1, 2024, as originally requested. DEC explained that the requested effective date will allow the PBR plan rate years to remain as calendar years and allow future MYRP rate changes in years 2 and 3 to occur on January 1, concurrent with the DSM/EE rate changes. In addition, the decoupling, PIMs, and ESM riders will be assessed based on the calendar years of the PBR plan period. Finally, DEC noted that the required quarterly reporting will align with its accounting periods.

On January 9, 2024, the Public Staff filed a letter responsive to DEC's compliance filings stating that it had worked with DEC on the compliance filings and the proposed customer notice, reviewed the filings and the customer notice as filed, and does not object to their approval.

Nonetheless, the Public Staff's January 9, 2024 letter raises an issue for Commission consideration and requests that the Commission modify the relief requested by DEC. More particularly, the Public Staff opposes DEC's plan to commence the MYRP, ESM, residential decoupling, and PIMs prior to the January 15, 2024 new rate effective date. In support of the Public Staff's position, it states that "N.C. Gen. Stat. § 62-133.16 defines a 'rate year' as 'the year of the MYRP for which base rates are effective,' and to begin PBR before the effective date of the new base rates is not appropriate." Public Staff's January 9, 2024 letter at 2. The Public Staff also contends that if the PBR is made effective January 1, 2024, the residential decoupling calculation will be inaccurate and potentially result in DEC over collecting from customers. In alternative to DEC's proposal to commence PBR Year 1 on January 1, 2024, the Public Staff requests that the Commission order DEC to begin PBR Year 1 effective January 15, 2024, to align with the effective date of the new rates. The Public Staff opines that while beginning PBR Year 1 on January 15, 2024, may require manual calculations for the period from January 15 through January 31, 2024, DEC "has the ability to make these calculations." *Id.* The Public Staff also notes that beginning PBR Year 1 on January 15, 2024, does not prevent DEC

² DEC's January 19, 2023 Application to Adjust Retail Base Rates and for Performance-Based Regulation, and Request for an Accounting Order (Application) requested that new rates become effective January 1, 2024.

from continuing PBR Years 2 and 3 as calendar years and allowing those future MYRP rate changes to occur on January 1, consistent with the Year 2 and Year 3 tariffs filed by DEC in its January 5, 2024 filing. In the alternative, the Public Staff suggests that PBR Year 1 could run from January 15, 2024, through January 14, 2025, with PBR Years 1 and 2 beginning January 15, 2025, and January 15, 2026, respectively.

On January 10, 2024, DEC filed a letter in response to the Public Staff's January 9, 2024 letter. Given the Public Staff's position that it does not object to the Commission's approval of the compliance filings, including the customer notice, DEC's January 10, 2024 letter requests that the Commission approve the compliance filings on an expedited basis this week so that rates can be implemented January 15, 2024. With regard to the Public Staff's contention regarding the effective date of the PBR plan, DEC explained that it continues to maintain its position that January 1, 2024, is the appropriate effective date for all the elements of PBR for Rate Year 1 and, further that it believes that it can address the concerns expressed in the Public Staff's letter. DEC indicated its intent to continue to engage Public Staff on these matters in the coming weeks.


Based on a review of the compliance filings and the record, the Commission finds that the disputed issue regarding the appropriate start date for the PBR plan does not impact the Commission's ability to approve the proposed compliance filings. Further, the Commission finds that time is of the essence and no party has objected to DEC's proposed compliance filings; therefore, good cause exists to approve the revenue requirement and the rate schedules and to authorize DEC to implement its new rates pursuant to the Rate Case Order for service rendered on and after January 15, 2024. In addition, the Commission finds good cause to approve the Notice to Customers in the form attached hereto as Appendix A and to direct that DEC give notice of the rate changes to its customers in compliance with the Rate Order. Finally, the Commission directs DEC and the Public Staff to confer on the dispute regarding the PBR plan 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 by no later than February 1, 2024.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 12th day of January, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "A. Shonta Dunston". The signature is fluid and cursive, with the first name "A." and last name "Dunston" clearly distinguishable.

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
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| Gas-Fired Combustion Turbine Electric |) | |
| Generating Facility in Lincoln County |) | |

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) entered an Order on December 15, 2023, in Docket Nos. E-7, Sub 1276 and E-7, Sub 1134, after public hearing, approving an increase in the annual non-fuel base revenues from rates and charges paid by retail customers of Duke Energy Carolinas, LLC (DEC) in North Carolina. In the Order, the Commission also approved Performance-Based Regulation (PBR) for DEC including a Multiyear Rate Plan (MYRP), which provides for annual base rate increases over a three-year period, effective January 1 of each year (2024 – 2026), to reflect costs and savings associated with discrete and identifiable capital investments projected to be used and useful during the course of the three-year period. The increase approved by the Commission and calculated herein is the increase from rates that were in effect as of the end of the test period for the rate case (December 31, 2021), updated for certain known changes in revenue, expenses, and rate base through June 30, 2023. The Commission approved an increase in base rate service revenues of \$446.7 million in Rate Year 1 (including the traditional general rate case increase of \$324.0 million and \$122.7 million for MYRP projects in Year 1, effective January 1, 2024³, through December 31, 2024); base service revenues of \$620.1 million (incremental change

³ Year 1 tariffs list an effective date for service on or after January 15, 2024. Year 2 and Year 3 tariffs list effective dates for service on or after January 1, 2025, and January 1, 2026, respectively. The PBR plan, including the multiyear rate plan (MYRP) with the earnings sharing mechanism (ESM), residential decoupling, and performance incentive mechanisms (PIMs) begins January 1, 2024, as originally requested.

of \$173.4 million to Rate Year 1) in Rate Year 2, effective January 1, 2025, through December 31, 2025; and base service revenues of \$778.7 million (incremental change of \$158.6 million to Rate Year 2) in Rate Year 3, effective January 1, 2026, through such time as new rates are approved by the Commission.

The following table shows the base rate increases by Rate Class for each year of the MYRP:

| Rate Case | Present Base Revenues ¹ (In Thousands) | Present Base Revenues including Riders ² (In Thousands) | Interim Base Revenue Increase (In Thousands) | Interim Base Revenue Increase Percentage ³ | Rate Year 1 Base Revenue Increase (In Thousands) | Rate Year 1 Base Revenue Increase Percentage ³ | Rate Year 2 Base Revenue Increase (In Thousands) | Rate Year 2 Base Revenue Increase Percentage ³ | Rate Year 3 Base Revenue Increase (In Thousands) | Rate Year 3 Base Revenue Increase Percentage ³ |
|-------------------------------|---|--|--|---|--|---|--|---|--|---|
| Residential | \$2,457,789 | \$2,519,643 | \$25,715 | 1.0% | \$213,459 | 8.5% | \$96,424 | 3.8% | \$89,273 | 3.5% |
| General Service | \$866,309 | \$957,001 | \$1,586 | 0.2% | \$65,074 | 6.8% | \$28,444 | 3.0% | \$26,896 | 2.8% |
| Industrial | \$154,671 | \$169,130 | \$2,143 | 1.3% | \$12,216 | 7.2% | \$5,132 | 3.0% | \$4,791 | 2.8% |
| Lighting | \$140,969 | \$135,250 | \$10,560 | 7.8% | \$21,605 | 16.0% | \$7,174 | 5.3% | \$6,524 | 4.8% |
| OPT (Business TOU) | \$1,364,424 | \$1,464,753 | \$6,619 | 0.5% | \$87,682 | 6.0% | \$36,242 | 2.5% | \$31,125 | 2.1% |
| Total Revenue/Increase | \$4,984,162 | \$5,245,777 | \$46,623 | 0.9% | \$400,036 | 8.0% | \$173,416 | 3.5% | \$158,609 | 3.2% |

¹ Source – Compliance Exhibit No. 4_1

² Present riders include Fuel Cost Adjustment Rider, EE, EDPR, BPM Prospective and True-up, CPRE, STS, EDIT-3, and EDIT-4 clause rates. EDIT-3 was included as it was active when the rate case was initially filed.

³ Increase percentages are relative to present base revenues including riders.

When comparing to the present base rate revenues inclusive of rider revenues, the non-fuel base rate increase will be partially offset by an additional decrement to the existing Excess Deferred Income Tax (EDIT-4) Rider of \$10.1 million and the one-year only Regulatory Asset and Liability (RAL-1) Rider of \$0.5 million in the first year, will be a net overall increase of \$436.1 million or approximately 8.3%. In the second year, the base rate increase after being partially offset by the decrement to the EDIT-4 Rider of \$10.5 million, will be a net overall increase of \$609.5 million or approximately 11.6% (incremental 3.3%). In the third year, the base rate increase after being partially offset by the decrement to the EDIT-4 Rider of \$4.4 million through May 2026, will be a net overall increase of \$774.3 million or approximately 14.8% (incremental 3.1%).

Based on rates and riders effective January 15, 2024, the annualized impact of these changes on a typical 1,000 kWh residential customer is as follows for each Rate Year:

| | Pre-Interim | Interim | RY1 | RY2 | RY3 |
|-------------------------------------|-------------|----------|----------|----------|----------|
| Annualized Typical Bill - 1,000 kWh | \$129.11 | \$130.29 | \$140.33 | \$144.52 | \$148.62 |
| Incremental \$ Change | - | \$1.18 | \$10.04 | \$4.19 | \$4.10 |
| Incremental % Change | - | 0.9% | 7.7% | 3.0% | 2.8% |
| Total \$ Change | - | \$1.18 | \$11.22 | \$15.41 | \$19.51 |
| Total % Change | - | 0.9% | 8.7% | 11.9% | 15.1% |

As a part of this rate change, the Commission approved the Revenue Requirement settlements and Performance Incentive Mechanism (PIMs) settlement between DEC, the Public Staff – North Carolina Utilities Commission (Public Staff), and Carolina Industrial Group for Fair Utility Rates III. The Revenue Requirement settlements resolved most of

the revenue requirement issues among the stipulating parties. The PIMs settlement provides for three PIMs, tracking metrics, and a process for DEC to work with the Public Staff to develop tariffs and programs to estimate and update revenue associated with electric vehicles.

The Commission also approved the Customer Assistance Program (CAP) for eligible low-income customers and the associated Customer Assistance Recovery Rider.

END OF TEMPORARY RATE CHANGE

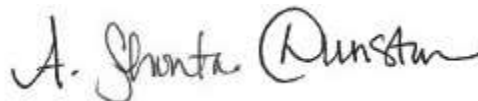
On September 1, 2023, DEC increased rates and charges on a temporary basis, subject to refund, pursuant to the authority granted to DEC in N.C. Gen. Stat. § 62-135. The temporary increase reflected an increase in base revenues of approximately \$47 million annually. The temporary rate changes that were set forth on September 1, 2023, were not final rates and were subject to the Commission's final determination of the just and reasonable rates to be charged by DEC on a permanent basis.

Consistent with the Commission's Order approving the permanent base revenues, DEC has recalculated the temporary rates revenue requirement. DEC's analysis indicates no refund of the amounts collected through temporary rates is required for the rate classes. The calculations and supporting schedules were reviewed by the Public Staff. The Public Staff agrees that no refund is due.

ISSUED BY ORDER OF THE COMMISSION

This the 12th day of January, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "A. Shonta Dunston". The signature is fluid and cursive, with the first name "A." and last name "Dunston" clearly distinguishable.

A. Shonta Dunston, Chief Clerk

NOTE TO PRINTER: DEC shall pay advertising costs. It is required that an Affidavit of Publication be filed with the Commission by DEC.