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August 22, 2023

VIA ELECTRONIC FILING

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

**RE: Duke Energy Carolinas, LLC's Application to Adjust Retail Base Rates and for Performance-Based Regulation, and Request for an Accounting Order
Docket No. E-7, Sub 1276**

Dear Ms. Dunston:

Enclosed for filing with the North Carolina Utilities Commission is an Agreement and Stipulation of Settlement on Performance Incentive Mechanisms, Tracking Metrics and Decoupling Mechanism among Duke Energy Carolinas, LLC ("DEC"), the Carolina Industrial Group for Fair Utility Rates III and the Public Staff of the North Carolina Utilities Commission. This agreement is substantially similar to the settlement reached on the same issues and filed on May 1, 2023 in the Duke Energy Progress, LLC rate case proceeding (Docket No. E-2 Sub 1300). DEC is preparing supporting testimony for this settlement, which testimony will be filed no later than August 24, 2023.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Jack E. Jirak

cc: Christopher J. Ayers, Executive Director, Public Staff
Lucy Edmondson, Chief Counsel, Public Staff
Christina Cress, Counsel, Carolina Industrial Group for Fair Utility Rates III

OFFICIAL COPY

Aug 22 2023

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1276

In the Matter of:)	AGREEMENT AND STIPULATION
)	OF SETTLEMENT ON
Application of Duke Energy Carolinas, LLC)	PERFORMANCE INCENTIVE
For Adjustment of Rates and Charges)	MECHANISMS, TRACKING
Applicable to Electric Service in North)	METRICS AND DECOUPLING
Carolina and Performance-Based Regulation)	MECHANISM

Duke Energy Carolinas, LLC (“DEC” or the “Company”), the Carolina Industrial Group for Fair Utility Rates III (“CIGFUR III”), and the Public Staff – North Carolina Utilities Commission (the “Public Staff”), collectively referred to herein as the “Stipulating Parties” through counsel and pursuant to N.C. Gen. Stat. § 62-69, respectfully submit the following Agreement and Stipulation of Settlement on Performance Incentive Mechanisms, Tracking Metrics and Decoupling Mechanism (“Stipulation”) for consideration by the North Carolina Utilities Commission (“Commission”) in the above captioned docket.

I. BACKGROUND

1. On January 19, 2023, the Company filed its *Application to Adjust Retail Base Rates and for Performance-Based Regulation, and Request for an Accounting Order*, in Docket No. E-7, Sub 1276, along with supporting direct testimony and exhibits, and Commission Form E-1, Rate Case Information Report – Electric Companies (“Application”).
2. On February 16, 2023, the Commission issued its *Order Establishing General Rate Case and Suspending Rates*, which declared this proceeding to be a general rate case and suspended the proposed rates for up to 300 days pursuant to N.C. Gen. Stat. § 62-

- 133.16. On March 16, 2023, the Commission entered an order scheduling hearings, establishing due dates for intervention, discovery, and testimony, and requiring public notice of the Company's Application.
3. On May 19, 2023, the Company filed its First Supplemental Filing, on June 19, 2023, the Company filed its Second Supplemental Filing, and on July 18, 2023, the Company filed its Third Supplemental Filing.
 4. On July 19, 2023, the Public Staff, CIGFUR III, and the other intervenors in this proceeding, filed testimony.
 5. On July 26, 2023, the Commission issued its *Order Rescheduling Hearing and Providing Additional Hearing Procedures*.
 6. On August 4, 2023, the Company filed its rebuttal testimony.
 7. The parties to the proceeding conducted substantial discovery on the issues raised in the Application, as well as on the direct, supplemental, and rebuttal testimonies of the Company and the Company conducted substantial discovery on the direct testimonies of the Public Staff and intervenors.
 8. The Stipulating Parties now desire to resolve and settle issues that will narrow the number of issues in controversy in this Docket.
 9. The Stipulating Parties agree and stipulate as follows:

II. RESOLVED ISSUES

The Stipulating Parties have reached an agreement regarding Performance Incentive Mechanisms ("PIMs"), tracking metrics, and the electric vehicle ("EV") adjustment to the Company's Decoupling Mechanism (collectively, "Resolved Issues"). The areas of agreement are as follows:

1. PIMS

A. Peak Load Reduction (“PLR”) PIM

The Stipulating Parties agree to and support the Company’s originally filed Peak Load Reduction PIM with the following changes:

- This PIM will be renamed the “Time Differentiated and Dynamic Rate Enrollment PIM.”
- The per Rate Year financial incentive structure for this PIM will be based on a fixed incentive-per-customer structure, at \$5.00 per incremental customer enrolled in a relevant rate program after approval of the PIM by the Commission, with a cap of 450,000 customers and \$2,250,000 in Company incentives per Rate Year.¹

B. Low Income/Affordability PIM

The Company withdrew its proposed Low-Income Affordability PIM per the *Agreement and Stipulation of Partial Settlement Regarding Low-Income/Affordability Performance Incentive Mechanism and Affordability Issues* among DEC, Duke Energy Progress, LLC, Sierra Club, the North Carolina Justice Center, the North Carolina Housing Coalition, the Natural Resources Defense Council, the Southern Alliance for Clean Energy, Vote Solar, and the Public Staff filed on May 4, 2023, in this Docket and in Docket No. E-2, Sub 1300.

¹ The plan period for purposes of DEC’s Application is the three-year (36-month) period beginning on January 1, 2024 and ending December 31, 2026 (the “Plan Period”). Rate Year 1 will begin January 1, 2024 and conclude December 31, 2024; Rate Year 2 will begin January 1, 2025 and conclude December 31, 2025; and Rate Year 3 will begin January 1, 2026 and conclude December 31, 2026.

C. Reliability PIM

The Stipulating Parties agree to a Reliability PIM that measures performance using SAIDI and that incorporates projected improvement during the Plan Period to account for reliability investments. Results will be reported annually after the end of each Rate Year for performance during the preceding calendar year. The Stipulating Parties agree to the following tiered penalty structure:

	RY1 (2024 data)	RY2 (2025 data)	RY3 (2026 data)
SAIDI 5-year historic average (2018-2022) adjusted for expected SOG improvements <i>No penalty for SAIDI below Tier 1 threshold</i>	177	174	172
SAIDI threshold for Tier 1 penalty <i>Financial <u>penalty</u> if SAIDI above threshold value</i>	197 <i>\$1.5 million</i>	194 <i>\$4 million</i>	192 <i>\$6 million</i>
SAIDI threshold for Tier 2 penalty <i>Financial <u>penalty</u> if SAIDI above threshold value</i>	217 <i>\$3 million</i>	214 <i>\$7 million</i>	212 <i>\$9 million</i>
SAIDI threshold for Tier 3 penalty <i>Financial <u>penalty</u> if SAIDI above threshold value</i>	237 <i>\$9 million</i>	234 <i>\$13 million</i>	232 <i>\$15 million</i>

D. Renewables Integration & Encouragement PIM

The Stipulating Parties agree to the following three metrics for the Renewables Integration and Encouragement PIM:

i. *Metric A (Distributed Energy Resource Integration)*

The Stipulating Parties agree to Metric A as set forth in the Company's rebuttal testimony filed on August 4, 2023, and in the table below. The Company will set a

baseline using a rolling, three-year average, *i.e.*, Rate Years 2022, 2023, and 2024 will be used to measure 2025 accomplishments.

Metric A: Performance Thresholds

	RY1 1/2024-12/2024	RY2 1/2025-12/2025	RY3 1/2026-12/2026
Baseline threshold based on preceding 3-year rolling average	Avg of 2021-2023	Avg of 2022-2024	Avg of 2023-2025
Tier 1 performance <i>Financial award connections during Rate Year exceed threshold by 5%</i>	<i>\$1.5 million</i>	<i>\$1.5 million</i>	<i>\$1.5 million</i>
Tier 2 performance <i>Financial award connections during Rate Year exceed threshold by 15%</i>	<i>\$3 million</i>	<i>\$3 million</i>	<i>\$3 million</i>
Tier 3 performance <i>Financial award connections during Rate Year exceed threshold by 25%</i>	<i>\$6 million</i>	<i>\$6 million</i>	<i>\$6 million</i>

ii. Metric B (Large Customer Renewable Program Encouragement)

The Stipulating Parties agree to the Company’s proposed Metric B, which supports commercial and industrial customer renewable program capacity subscriptions, with the following revised incentive tiers:

- Tier 1: ≥ 30% subscribed \$333,000
- Tier 2: ≥ 50% subscribed \$667,000
- Tier 3: ≥ 70% subscribed \$1,000,000

iii. Metric C (Utility Scale Renewables Interconnection)

The Stipulating Parties agree to a Utility Scale Renewables Interconnection PIM as proposed by Public Staff in its direct testimony filed on July 19, 2023, with the incentive tiers and MW thresholds as set forth below. The Stipulating Parties agree

that this PIM will include a carve out for situations where the Company has completed the work necessary to allow a third party to interconnect, but the third party does not perform the work as required under its Purchased Power Agreement (i.e., the MWs of any third party utility-scale solar project are counted for PIM achievement if the Company has completed its necessary work for interconnection but the third party does not perform in a given Rate Year). The Company's work will be deemed completed when the Company provides written notification to the Interconnection Customer that all required system upgrades and utility interconnection facilities required to be constructed by the Company under the Interconnection Agreement are complete and ready to accept energy from the site.

Metric C: Performance Thresholds²

	RY1 1/2024-12/2024	RY2 1/2025-12/2025	RY3 1/2026-12/2026
Tier 1 performance:			
<i>MWs Interconnected</i>	-	>551 MWs	>836 MWs
<i>Financial award</i>	-	\$ 1,000,000	\$2,500,000
Tier 2 performance:			
<i>MWs Interconnected</i>	-	>634 MWs	>961 MWs
<i>Financial award</i>	-	\$ 2,000,000	\$3,500,000
Tier 3 performance:			
<i>MWs Interconnected</i>	-	>716 MWs	>1,087 MWs
<i>Financial award</i>	-	\$ 4,000,000	\$6,000,000

² MW Interconnected Tiers based upon the 2023-2024 Carbon Plan Integrated Resource Plan.

2. TRACKING METRICS

The Stipulating Parties agree to the following three tracking metrics: (1) customer service; (2) beneficial electrification from incremental load of EVs; and (3) a "Circuit Performance Report," including an analysis of the cause of each circuit's performance. The "Circuit Performance Report" will be prepared by ranking the SAIDI, SAIFI, and CAIDI scores for each circuit and identifying the 10 circuits with the worst combined SAIDI, SAIFI, and CAIDI rank (giving equal weight to each metric). The SAIDI, SAIFI, and CAIDI calculations will adhere to the IEEE standards, excluding major event days.

3. DECOUPLING

Stipulating Parties agree that the Company is permitted to exclude all EV sales from the Decoupling Mechanism subject to the following two conditions: (1) the Stipulating Parties shall work together to develop and file EV tariffs and/or programs to estimate and update the revenue associated with residential EV sales in the Company's service territory, consistent with the testimonies of Company witnesses Byrd and Abernathy and Public Staff witness Nader within 90 days of the Commission's order approving this Stipulation, and (2) the Company updates the estimate of 180 kWh proposed by Public Staff witness Nader with actual, DEC-specific EV usage data in each future Decoupling Rider proceeding.

III. AGREEMENT IN SUPPORT OF SETTLEMENT; NON-WAIVER

1. The Stipulating Parties shall act in good faith and use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Stipulating Parties further agree that this Stipulation is in the public interest. The Stipulating Parties intend to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket.

2. Neither this Stipulation nor any of the terms shall be admissible in any court or Commission proceeding or docket except insofar as such court or Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Parties regarding any issue in any other proceeding or docket before this Commission or in any court.
3. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties but reflect instead the compromise and settlement among the Stipulating Parties as to all the issues covered herein. No Party waives any right to assert any position in any future proceeding or docket before the Commission or in any court.
4. This Stipulation is a product of negotiation among the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

IV. RECEIPT OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

The pre-filed testimony and exhibits or portions thereof of the Stipulating Parties on Resolved Issues may be received into evidence without objection, and each Party waives all right to cross-examine any witness with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner, or if questions are asked or positions are taken by any person who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits, provided such testimony, exhibits, and cross-examination are not inconsistent with this Stipulation.

V. **STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY**

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on any of the Stipulating Parties unless the entire Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition, or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, each Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

VI. **COUNTERPARTS**

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Execution by electronic signature shall be deemed to be, and shall have the same effect as, execution by original signature.

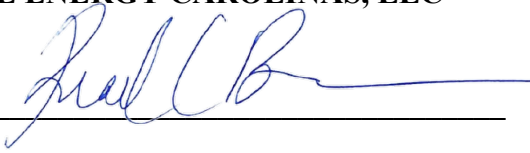
IX. **MERGER CLAUSE**

This Stipulation supersedes all prior agreements and understandings between the Stipulating Parties as to the issues discussed herein and may not be changed or terminated

orally, and no attempted change, termination, or waiver of any of the provisions hereof shall be binding unless in writing and signed by the parties hereto.

The foregoing is agreed upon and stipulated to this the 22nd day of August, 2023.

DUKE ENERGY CAROLINAS, LLC

BY: 

PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

BY: _____

CAROLINA INDUSTRIAL GROUP FOR FAIR UTILITY RATES III

BY: _____

DUKE ENERGY CAROLINAS, LLC

BY: _____

PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

BY: 

CAROLINA INDUSTRIAL GROUP FOR FAIR UTILITY RATES III

BY: _____

DUKE ENERGY CAROLINAS, LLC

BY: _____

PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

BY: _____

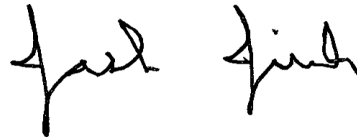
CAROLINA INDUSTRIAL GROUP FOR FAIR UTILITY RATES III

BY: Christina Cress

CERTIFICATE OF SERVICE

I certify that a copy of the Agreement and Stipulation of Settlement on Performance Incentive Mechanisms, Tracking Metrics and Decoupling Mechanism 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 22nd day of August, 2023.

A handwritten signature in black ink, appearing to read "Jack Jirak".

Jack E. Jirak
Deputy General Counsel
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Raleigh, North Carolina 27602
(919) 546-3257
Jack.jirak@duke-energy.com