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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**

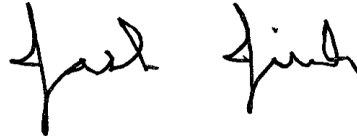
Dear Ms. Dunston:

Enclosed for filing with the North Carolina Utilities Commission is the Agreement and Stipulation of Partial Settlement between Duke Energy Carolinas, LLC and the Public Staff – North Carolina Utilities Commission (“Revenue Requirement Stipulation”).

This Revenue Requirement Stipulation is similar in structure and scope to the stipulation addressing revenue requirement issues that was filed in the Duke Energy Progress, LLC (“DEP”) rate case proceeding in Docket No. E-2, Sub 1300 (the final amended version of which was filed on May 2, 2023). Specifically, this Revenue Requirement Stipulation resolves a number of revenue requirement issues, while identifying discrete issues as being unresolved. The unresolved issues are largely similar to those identified in the DEP proceeding, with a few additions involving new issues or issues that are unique to the DEC proceeding. In addition, the Revenue Requirement Stipulation preserves Public Staff’s ability to complete its audit of DEC’s second and third supplemental filings. Both Public Staff and DEC intend to file separate testimony supporting the Revenue Requirement Stipulation.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jack E. Jirak". The signature is written in a cursive style with a large initial "J" and "E".

Jack E. Jirak

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

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

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

In the Matter of:	)	
	)	
Application of Duke Energy Carolinas, LLC for	)	<b>AGREEMENT AND</b>
Adjustment of Rates and Charges Applicable to	)	<b>STIPULATION OF</b>
Electric Service in North Carolina and	)	<b>PARTIAL SETTLEMENT</b>
Performance-Based Regulation	)	

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Duke Energy Carolinas, LLC (“DEC” or the “Company”), the Public Staff – North Carolina Utilities Commission (the “Public Staff”) and together with DEC and 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 Partial Settlement (“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, 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 and the other intervenors in this proceeding filed testimony. On August 4, 2023, the Company filed its rebuttal testimony.

5. The parties to the proceeding conducted substantial discovery on the issues raised in the Application, as well as on the direct, first supplemental, and rebuttal testimonies of the Company and the Company conducted substantial discovery of the direct testimonies of the Public Staff and intervenors.

6. The Stipulating Parties agree and stipulate as follows:

## II. UNRESOLVED ISSUES

The Stipulating Parties have not reached a compromise on the following issues ("Unresolved Issues") and agree that such issues should be litigated and determined by the Commission.

1. Return on Equity ("ROE") - The appropriate ROE.
2. Capital Structure - The appropriate capital structure.
3. COVID-19 Deferred Cost Recovery – The amount of deferred costs associated with the COVID-19 pandemic that should be recovered, including the appropriate amortization period, and whether the Company should be permitted to continue to defer bad

debt expense above the amount of bad debt included in rates.

4. Inflation Adjustment

5. Storm Balancing Account – Whether the Company’s proposal to establish a storm balancing account should be approved.

6. Over-amortizations of regulatory assets – Whether the Commission should approve the Company’s proposal to apply over-amortizations to regulatory assets currently approved and sought for approval or the Public Staff’s proposal to establish a one-year regulatory asset/liability rider for non-coal combustion residuals (CCR) over-amortizations.

7. Rate Case Expense

8. Deferral for Program Implementation Costs – Whether the Company’s proposal to defer implementation costs associated with certain proposed customer offerings, as well as costs associated with implementation of the Company’s proposed Performance Incentive Mechanisms (“PIMS”), should be approved.

9. Equal Percentage Allocation – Whether the continued utilization of the equal percentage fuel allocation for customer classes should be approved.

10. Interconnection Contributions in Aid of Construction (“CIAC”) – Regulatory Liability Recommendation – Whether it is necessary for the Company to establish a regulatory liability to address CIAC for Interconnection Agreements as recommended by

the Public Staff.

11. Infrastructure Investment and Jobs Act (“IIJA”) Funding—

Whether (a) in the case of certain IIJA applications previously submitted by the Company, Public Staff’s recommendation to incorporate assumed receipt of such IIJA grants should be accepted (subject to deferral of any amounts received, net of costs incurred) and (b) in the case of certain IIJA funds for certain MYRP hydroelectric projects for which the Company did not apply, whether an adjustment should be made to the MYRP revenue requirement based on Public Staff witness Thomas’s allegation that the Company should have applied for such funds.

12. Nuclear IRA Production Tax Credits – Whether the Public Staff’s recommendation to include an estimated amount of nuclear production tax credits in the MYRP revenue requirement (subject to deferral of any amounts received, net of costs incurred) should be approved.

13. Lighting Audit Deferral – Whether the Company’s proposal to recover the lighting audit deferral of approximately \$0.7 million should be approved.

14. Lincoln CT – Whether the Lincoln CT Unit 17’s In-Service Date should be January 1, 2024 as proposed by the Company or December 1, 2024 as stated in the facility’s Certificate of Public Convenience and Necessity and whether the Lincoln pipeline costs

identified by Public Staff witness Lucas should be removed from rate base until Unit 17 is placed in-service.

15. Voltage differentiated fuel rates – Whether DEC’s stated intention to adjust voltage differentiated fuel rates in fuel riders (as opposed to the rate cases) should occur in the next fuel proceeding (to be filed in February 2024) or should be done at some future date.

### **III. RESOLVED ISSUES**

The Stipulating Parties have reached an agreement regarding the following revenue requirement issues (“Resolved Issues”). Aside from those adjustments identified herein, no further adjustments will be made to the Company’s base period or Multiyear Rate Plan (“MYRP”) revenue requirement based on the Public Staff’s positions as presented in its initial testimony. This Stipulation does not prevent the Public Staff from completing its audit of DEC’s Second and Third Supplemental Updates filed in this docket or making proposed adjustments to the updated revenue requirements based on such audit, which will be presented in the Public Staff’s Supplemental Testimony to be filed in this docket. The actual amount of the agreed-upon adjustments may differ due to the effects of the Unresolved Issues and the Public Staff’s Supplemental Testimonies. The revenue requirement effects of the agreed-upon issues will be set forth in exhibits to be attached to supporting testimony. The areas of agreement are as follows:

#### ***Cost of Debt***

1. The embedded cost of debt agreed to by the Stipulating Parties as appropriate and reasonable for purposes of this proceeding is the June 2023 debt cost of 4.56% as presented in the Supplemental Testimony of Quynh Bowman filed on July 18,

2023, subject Public Staff's audit of the Company's third supplemental update.

***Depreciation***

2. The Stipulating Parties agree to use the Company's proposed accelerated retirement dates for its coal plants to set the depreciation rates except for the Cliffside 5 retirement date, which will move to January 1, 2031, consistent with the Company's CPIRP filed on August 17, 2023.

3. The Stipulating Parties also agree to increase the Company's proposed deferral to a regulatory asset from 50% to 75% of the impact of accelerating the depreciation of the Company's subcritical coal plants from the current retirement dates. This preserves the ability of the Company to recover the 50% of the net book value of the subcritical coal plants through securitization as allowed under House Bill 951. The Stipulating Parties further agree that for the remaining 25%, it is appropriate to recover those costs with a return over an amortization period to be determined by the Commission in a future rate case.

4. In addition, the Stipulating Parties agree to the corrected depreciation rates set forth by the Company in Witness Spanos's rebuttal testimony subject to the following adjustments:

- a. The Stipulating parties agree to adjust the decommissioning estimates to use 10% contingency and a 5% indirect cost adder.

***Base Period Plant-Related Items***

5. The Stipulating Parties agree that the Mount Holly Building Renovation Project should be included in the Company's base period.

6. The Stipulating Parties agree that no adjustment is needed for 526 South



Church St. Renovation, as this asset was retired prior to the capital cut-off period and is not included in rates.

7. The Stipulating Parties agree that the Company's electric vehicle infrastructure in service by June 2023 that was recommended for removal by Public Staff witness Lawrence should be included in the base period, subject to Public Staff's audit of the Company's second and third supplemental filings. Such electric vehicle infrastructure project shall be used for Company vehicle use only

8. The Stipulating Parties agree reclassification of Pleasant Garden Breaker Replacements (transmission and distribution) project reflected in the Company's Third Supplemental is appropriate and subject to the Public Staff's audit of the Company's third supplemental filing.

9. The Stipulating Parties agree that the Mount Holly Other Projects will be allocated to all Duke Energy subsidiaries rather than direct assigned to the Company.

10. The Stipulating Parties agree that, in connection with the Workstation Project, those laptops not yet issued to employees shall be excluded from the base period revenue requirement and that Public Staff will have opportunity to assess compliance with this treatment in its audit of the Company's Second and Third Supplemental updates.

#### ***Accounting Adjustments***

11. The Stipulating Parties agree that the Company should be permitted to recover the full balance of its Grid Improvement Deferral over an amortization period of 18 years, with a debt-only return during the deferral period, and rate base treatment during the 18-year amortization period.

12. The Stipulating Parties agree that Company employee incentives should be

adjusted to remove incentive pay related to earnings per share and total shareholder return for the top levels of Company leadership.

13. The Stipulating Parties agree to remove the DEC North Carolina retail allocation of \$50 million system plant in service costs for the Duke Energy Plaza, with \$40 million being removed from the base period and \$10 million from the MYRP. All other costs associated with Duke Energy Plaza shall be recoverable subject to the following:

- a. The capital adjustment for Duke Energy Plaza will flow through the rent expense proforma NC-2150;
- b. \$2.86 million (system) will be reflected in the MYRP revenue requirement to account for parking lot revenues for employees and after-hour parking associated with Duke Energy Plaza parking; and
- c. This agreed upon adjustment covers the costs sought for recovery in the entire base period and MYRP for the Duke Energy Plaza building in this case. No further adjustments shall be made to the plant in service costs of the Duke Energy Plaza or changes to the operation and maintenance costs based on the Public Staff's continuing audit of the Company's second and third supplemental updates.

14. The Stipulating parties agree to include an additional \$4.5 million (NC Retail) of annual incremental spend for ongoing operations and maintenance (O&M) for the Company's coal generation fleet for discrete programs and targeted categories listed in DEC witness Walsh's supplemental and rebuttal testimony and supporting workpapers. The Company shall be required to track and report on an annual basis the actual spend and employee head count for each coal generation station over the MYRP period in a manner

to be determined based on agreement between the Public Staff and the Company. Any cumulative underspend shall be recorded to a regulatory liability account accrued through the end of the MYRP period (December 2026), and returned to customers in the next general rate case.

15. The Stipulating Parties agree to the Company's requested \$3 million (NC Retail) increase to the test year vegetation management O&M.

16. The Stipulating Parties agree to remove aviation expenses associated with international flights, in addition to the 50% of the aviation expenses removed in the Company's initial application.

17. The Stipulating Parties agree to remove 50% of the benefits associated with the five Duke Energy executives with the highest amounts of compensation, in addition to the 50% of their compensation removed in the Company's initial application.

18. The Stipulating Parties agree that base year revenue requirement will be reduced by \$23,000 (NC retail) in connection with Charitable Contributions and Sponsorships.

19. The Company asserts that it did not include any lobbying expenses in its request. However, for purposes of settlement, the Company accepts the adjustment proposed by the Public Staff (with agreed upon corrections) for lobbying expenses.

20. The Stipulating Parties agree to remove 50% of Board of Director expenses allocated to DEC.

21. The Stipulating Parties agree to use an annual 35 full load day burn average to establish the level of Coal Inventory for purposes of establishing a revenue requirement, as recommended by Public Staff witness Michna.

22. The Company accepts the Public Staff's adjustment to end-of-life nuclear materials and supplies reserve expense, reduced as described in the direct testimony of Public Staff witness Dustin Metz.

23. The Stipulating Parties agree that the credit card payment fees for nonresidential customers shall be removed from the revenue requirement in this case.

24. The Stipulating Parties agree to update the Extra Facilities Charge revenue to 2023 levels, as adjusted in Company witness Q. Bowman's rebuttal testimony.

25. The Stipulating Parties agree to amortize actual nuclear levelization costs incurred with no adjustments.

26. The Stipulating Parties agree that no adjustment shall be made to Marshall O&M costs.

27. The Stipulating Parties agree to remove the material and supplies (M&S) inventory balance associated with Lee Unit 3 as detailed in the testimony of Public Staff witness Lucas and the rebuttal testimony of Company witness Q. Bowman.

28. The Stipulating Parties agree that no adjustment is necessary to the M&S inventory costs associated with Allen Units 1 and 5.

29. The Stipulating Parties agree to deferral of Allen Unit 4 costs, subject to the following:

- a. The Stipulating Parties agree to adjust the decommissioning estimate for contingency and indirect adder for Allen Unit 4;
- b. The Stipulating Parties agree that no adjustment to the Allen Unit 4 inventory estimate will be made;
- c. The Stipulating Parties agree to the Company's position on rate base as

amortization of Allen Unit 4 is already reflected in the test year;

- d. Over-amortization is identified as an Unresolved Issue.

***MYRP***

30. In connection with Public Staff's MYRP disallowance recommendation based on allegedly insufficient project documentation, the Stipulating Parties agree to reduce DEC's projected MYRP capital by \$351 million on a system basis.

31. The Stipulating Parties agree that reduction of 50% of the total contingency amounts (approximately \$321 million on a system basis) included in the MYRP project cost estimates is appropriate.

32. The Stipulating Parties agree that the Company-calculated allowance for funds used during construction ("AFUDC") shall be included in the MYRP, subject to the reporting obligation discussed below.

33. The Stipulating Parties agree it is appropriate for the Company to remove 50% (\$15 million on a system basis cumulative over the MYRP) of corrected one-time installation O&M from the MYRP.

34. The Stipulating Parties agree to the following other MYRP adjustments for the purposes of setting the MYRP revenue requirements in this case. Recovery of the costs of each of these projects will be eligible for consideration in the next base case if the project has been placed in service.

- a. Removal of the costs of the Fleet Electrification Charge Infrastructure project from the MYRP;
- b. Removal of the costs of the Clemson Hydrogen project from the MYRP;
- c. Removal of the costs of the Mountain Island Dam Seismic project from the

MYRP as agreed to in the Company's rebuttal testimony;

- d. Removal of the costs of the Boyds to Trinity Ridge project from the MYRP as agreed to in the Company's rebuttal testimony;
- e. Removal of the costs of the Lowgap microgrid project from the MYRP;

#### **IV. OTHER AREAS OF AGREEMENT**

35. The Company agrees to perform a Lead Lag Study before the next general rate proceeding and incorporate the results in that general rate case application.

36. The Company agrees to work with the Public Staff before filing its next PBR application to attempt to establish agreed-upon MYRP project documentation guidelines.

37. The Company agrees to track and report on AFUDC accrued on MYRP capital projects and the Stipulating Parties shall discuss the scope and content of the reporting.

38. The Company agrees to the EV reporting requirements discussed by Public Staff witness Lawrence but will discuss further with the Public Staff those items noted by Witness Guyton as not being possible, with the understanding that those items will be reported by the Company when doing so becomes possible.

39. The Company agrees to report on Rider ED as discussed by Public Staff witness Nader subject to agreement of the Stipulating Parties regarding the scope and content of the report.

40. The Company agrees to report on the CIAC issue in its next general rate case application. (The CIAC issue itself is unresolved.)

41. The Company agrees to report on reliability O&M as discussed by Public

Staff witness Metz, subject to agreement of the Stipulating Parties regarding the scope and content of the report.

42. The Company agrees to the Vegetation Management reporting requirement as discussed by Public Staff witness T. Williamson except for reporting on the two issues noted in the rebuttal testimony of Company witness Guyton.

#### **V. 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 because it reflects a give-and take of contested issues and results in rates (with respect to the stipulated issues) that are just and reasonable. 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 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 hereby. 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.

#### **VI. RECEIPT OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION**

The pre-filed testimony and exhibits or portions thereof of the Stipulating Parties on Resolved Issues and Other Areas of Agreement may be received in evidence without objection, and each Party waives all right to cross examine any witness with respect to such pre-filed testimony and exhibits. Notwithstanding anything to the contrary, the Stipulating Parties may cross examine any witness regarding information that may bear on Unresolved Issues. 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.

#### **VII. 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 Agreement and 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 be bound or prejudiced by the terms and conditions of the Stipulation.

#### **VIII. 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**

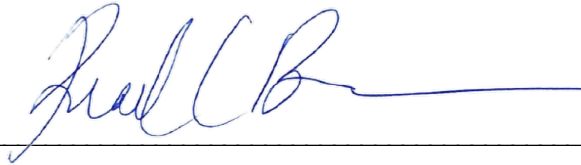
This Stipulation supersedes all prior agreements and understandings between the Stipulating Parties as to the issues discussed herein and may not be changed or terminated orally, and no attempted change, termination, or waiver of any of the provisions hereof shall be binding unless in writing and signed by the parties hereto.

The foregoing is agreed and stipulated this the 22<sup>nd</sup> day of August, 2023.

[Signature block on following page]

IN WITNESS WHEREOF, the Parties have signed and executed as of the date set forth above.

**DUKE ENERGY CAROLINAS, LLC**

By:   
\_\_\_\_\_

**PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION**

By: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have signed and executed as of the date set forth above.

**DUKE ENERGY CAROLINAS, LLC**

By: \_\_\_\_\_

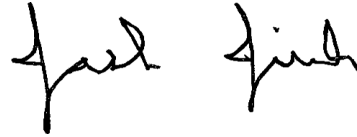
**PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION**

By:  \_\_\_\_\_

**CERTIFICATE OF SERVICE**

I certify that a copy of the Agreement and Stipulation of Partial Settlement, in Docket No. E-7, Sub 1276, 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 22<sup>nd</sup> day of August, 2023.



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