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May 31, 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 and the Public Staff's
Agreement and Stipulation of Partial Settlement
Docket No. E-7, Sub 1282**

Dear Ms. Dunston:

Please find enclosed Duke Energy Carolinas, LLC ("DEC" or the "Company") and the Public Staff's Agreement and Stipulation of Partial Settlement ("Stipulation") for filing in the above-referenced proceeding.

After thorough discovery and substantial negotiations, the Company and the Public Staff have agreed on a mitigation strategy that will be beneficial to customers while not impacting the Company's current credit ratings. As reflected in the enclosed Stipulation, the Company and the Public Staff have agreed to the following:

- 16-month recovery period for the under-recovered balance of \$998 million from the test period
- To compensate for the additional financing costs to be incurred by the Company as a result of the extended recovery period, the parties have agreed to an EMF interest rate. The amount of interest to be collected by the Company under the settlement was calculated by applying a 4% annual interest rate (or 0.3333% monthly) to the projected delta between what the Company would have recovered on a monthly basis had the under-recovery been recovered over the statutory 12-month period as compared to what the Company will recover on a monthly basis over the 16-month stipulated period. The interest amount under the Stipulation, calculated using this methodology, is \$6.656M for North Carolina retail customers. The proposed settlement EMF interest rates are designed to recover this amount. The application of interest in this manner effectively serves as proxy for the additional financing

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May 31 2023

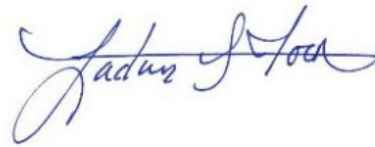
costs the Company will incur as a result of the extended recovery period (though does not necessarily reflect the Company's actual additional financing costs).

- Incorporation of the April 2023, Spring forecast to set the prospective billing period component of the fuel rate.
- Utilizing the equal percent methodology.

The above-bulleted terms result in a 13.31% rate increase, down from the approximately 18% requested in the Company's initial Application filed in this docket.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ladawn S. Toon". The signature is fluid and cursive, with the first name being the most prominent.

Ladawn S. Toon

Enclosure

cc: Parties of Record

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1282

In the Matter of:)	
)	
Application of Duke Energy Carolinas, LLC)	AGREEMENT AND
Pursuant to N.C.G.S. § 62-133.2 and)	STIPULATION OF
Commission Rule R8-55 Relating to Fuel and)	PARTIAL SETTLEMENT
Fuel-Related Charge Adjustments for Electric)	
Utilities)	

Duke Energy Carolinas, LLC (“DEC” or the “Company”) and the Public Staff – North Carolina Utilities Commission (the “Public Staff”), collectively referred to herein as the “Stipulating Parties,” by and 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 February 28, 2023, the Company filed its Application in the above-captioned docket requesting a change in its fuel charges effective for service rendered on and after September 1, 2023. The net effect of the Company’s request as filed would increase the monthly bill of a typical residential customer using 1,000 kilowatt hours per month by \$18.90, excluding regulatory fee.

2. Also on February 28, 2023, the Company filed the direct testimonies and exhibits of witnesses Kevin Houston, Steven D. Capps, David Johnson, Sigourney Clark, John D. Swez and Jeffery Flanagan.

3. On March 1, 2023, the Company filed a correction to its Application filed on February 28, 2023.

4. On March 16, 2023, the Commission issued an *Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice* that, among other things, scheduled an expert witness hearing to be held on May 30, 2023.

5. On May 4, 2023, the Company filed the supplemental testimonies and exhibits of Sigourney Clark and John D. Swez.

6. On May 9, 2023, the Public Staff filed the direct testimonies and exhibits of Darrell Brown, Fenge Zhang and Evan D. Lawrence.

7. Also on May 9, 2023, intervenor Carolina Industrial Group for Fair Utility Rates III (“CIGFUR III”) filed the direct testimony of Brian C. Collins.

8. On May 18, 2023, the Company filed the rebuttal testimonies and exhibits of Jeffrey Flanagan and John Swez along with the joint rebuttal testimony of Sigourney Clark and Chris Bauer.

9. On May 19, 2023, the Company filed corrected exhibits and workpapers of Sigourney Clark.

10. On May 26, 2023, the company filed revised rebuttal testimony of Jeffrey Flanagan and John Swez, along with revised joint rebuttal testimony and second revised exhibits of Sigourney Clark and Chris Bauer.

11. In the direct testimony of the Public Staff, witness Lawrence contends that the Company’s request for a 16.5% bill impact¹ from this proceeding, together with the rate increase sought by the Company in the proposed Multi-Year Rate Plan in Docket No.

¹ This bill impact represents the increase to a residential customer on Schedule RS using 1,000 kWh per month.

E-7, Sub 1276,² now pending before the Commission, would represent an enormous rate increase for the Company's ratepayers and that the Company should take measures to mitigate the impact of the requested rate increase for ratepayers. Witness Lawrence offered several options the Company could take to mitigate the rate increase with one option being for the Company to defer collection of the current under collection of fuel for a period of twenty-four months, as opposed to a 12-month recovery period.

12. In response to the Public Staff's proposed rate mitigation testimony, the Company filed the rebuttal testimony of witness Chris Bauer. In rebuttal, witness Bauer offered testimony that the Company cannot agree to mitigate the impact on customer bills without serious detrimental impacts to the Company's credit rating. Witness Bauer states in his rebuttal testimony that the Company needs to recover its prudent fuel costs in this proceeding by the end of calendar year 2024 to maintain financial health, which is beneficial to its customers.

13. The Company and the Public Staff conducted substantial discovery on the issues raised in this Application and have engaged in substantial negotiations to agree on a mitigation strategy.

14. The Stipulating Parties desire to resolve and settle issues that will reduce the number of unresolved issues in this docket.

15. The Stipulating Parties agree and stipulate as follows:

II. UNRESOLVED ISSUES

The Stipulating Parties have not reached a compromise on either the outages at the Company's Belews Creek Plant and the W. S. Lee Steam Station or the timing of filing of

² DEC has requested a 10.5% Rate Year 1 increase for the residential class.

the results of the Public Staff's investigation into same ("Unresolved Issues") and agree that such issues should be litigated and determined by the Commission.

III. RESOLVED ISSUES

The Stipulating Parties have reached an agreement regarding mitigation of the recovery of under-recovered fuel costs as follows:

1. Test period under-recovered fuel costs will be recovered over a 16-month period as opposed to a 12-month period.

2. Four percent (4%) interest will be applied to the difference between what the Company is expected to recover over the 16-month stipulated period compared to what the Company would have expected to recover over the 12-month period. Using this calculation, the total amount of the 4% interest is \$6.656 million to be paid by North Carolina retail customers.

3. The Company will incorporate the April 2023 Spring fuel forecast to set the prospective billing period component of the fuel rate. In addition, the Company will correct the error in the April 2023 Spring fuel forecast it referenced in the revised rebuttal testimony of Sigourney Clark and Chris Bauer, filed on May 26, 2023.

4. The billing to all customer classes will utilize equal percent methodology.

IV. RATE IMPACT OF THE STIPULATION

1. The above Stipulation will result in a 13.31% rate increase, down from the approximately filed 18% requested increase.

2. The total net fuel and fuel-related cost factors, by customer class, shall be as follows, exclusive of the regulatory fee: 3.8950 cents/kWh for Residential customers, 3.5020 cents/kWh for General Service and Lighting customers and 3.2422 cents/kWh for

Industrial customers.

3. The prospective fuel and fuel-related cost factors, by customer class, shall be as follows, exclusive of the regulatory fee: 2.6287 cents/kWh for Residential customers, 2.2596 cents/kWh for General Service and Lighting customers and 1.9328 cents/kWh for Industrial customers.

4. The EMF (experience modification factor) cost factors, by customer class, shall be as follows, exclusive of the regulatory fee: 1.2579 cents/kWh for Residential customers, 1.2342 cents/kWh for General Service and Lighting customers and 1.3007 cents/kWh for Industrial customers.

5. The EMF interest increment cost factors, by customer class, shall be as follows, exclusive of the regulatory fee: 0.0084 cents/kWh for Residential customers, 0.0082 cents/kWh for General Service and Lighting customers and 0.0087 cents/kWh for Industrial customers.

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 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. 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 31st day of May, 2023.

DUKE ENERGY CAROLINAS, LLC

By:



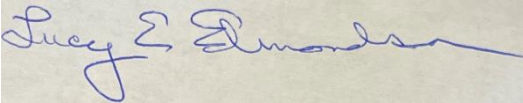
PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

By: _____

DUKE ENERGY CAROLINAS, LLC

By: _____

PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION

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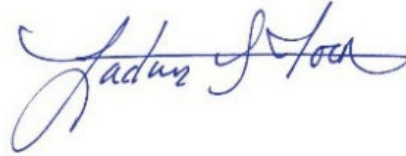
Lucy E. Edmondson

Chief Counsel

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC and the Public Staff's Agreement and Stipulation of Partial Settlement in Docket No. E-7, Sub 1282 has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to the parties of record.

This, the 31st day of May 2023.



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