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OFFICIAL COPY

JUN 07 2024

June 7, 2024

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 Agreement and Stipulation of Settlement
Docket No. E-7, Sub 1304**

Dear Ms. Dunston:

Please find enclosed Duke Energy Carolinas, LLC's ("Company") Agreement and Stipulation of Settlement in the above proceeding. The Agreement and Stipulation of Settlement is by and among the Company, the Carolina Industrial Group for Fair Utility Rates III and the Carolina Utility Customers Association. DEC witnesses, Mrs. Sigourney Clark and Mr. Bryan Sykes, who will appear at the June 10, 2024 Evidentiary Hearing, will be able to speak to the terms of the Agreement and Stipulation of Settlement in more detail.

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 that reads "Ladawn S. Toon".

Ladawn S. Toon

Enclosures

cc: Parties of Record

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1304

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

Duke Energy Carolinas, LLC (“DEC” or the “Company”), the Carolina Industrial Group for Fair Utility Rates III (“CIGFUR”) and the Carolina Utility Customers Association (“CUCA”), 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 Settlement (“Agreement”) for consideration by the North Carolina Utilities Commission (“Commission”) in the above- captioned docket.

I. BACKGROUND

1. On February 27, 2024, the Company filed its application for a fuel charge adjustment, pursuant to N.C.G.S. § 62-133.2 and Commission Rule R8-55, along with the accompanying testimony and exhibits, requesting a change in its fuel charges effective for service rendered on and after September 1, 2024. The Application was accompanied by the testimony and exhibits of witnesses Matthew L. Cameron, Steven D. Capps, Sigourney Clark, Jeffrey Flanagan, Kelly S. McNeil, and John D. Swez (“Initial Filing”).

2. On March 15, 2024, the Commission issued its *Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring*

Public Notice (“Scheduling Order”). Pursuant to the Scheduling Order, the Commission established, among other things, deadlines for the filing of petitions to intervene, intervenor testimony and exhibits, and Company rebuttal testimony and exhibits; and scheduled this matter for evidentiary and public hearings to be held on June 10, 2024.

3. On May 8, 2024, the Company filed supplemental testimony and exhibits of Sigourney Clark (“Supplemental Testimony”) requesting Commission approval for a revised increase in its fuel and fuel-related costs as compared to its Initial Filing. The Supplemental Filing provided revised rates reflecting impacts of the proposed EMF increment for the experienced net under-recovery of fuel and fuel-related costs through March 31, 2024, and a new EMF increment factor for the experienced net under-recovery of certain fuel and fuel-related expenses from September 1, 2023 through March 31, 2024 (“2023 Fuel Balance”). Witness Clark explains the 2023 Fuel Balance is a result of softer than expected sales, primarily as a result of mild weather, particularly from December 2023 to March 2024. Additionally, the Company on its own volition is proposing to postpone recovery of Industrial customers’ EMF balance until January 1, 2025, and allow only the prior year EMF to be billed through December 31, 2024 to truncate the increase on a typical bill on September 1, 2024, as compared to the Initial Filing. Such proposal includes recovery of carrying costs associated with delaying bill impacts (“Company Proposed Mitigant”).

4. On May 9, 2024, DEC filed a Motion for Expedited Waiver and Proposed Public Notice (“Waiver”), requesting authorization to publish an updated Public Notice, reflecting changes arising from the Supplemental filing, on or before May 31, 2024. Also on May 9, 2024, the Public Staff filed a letter opposing DEC’s Waiver and requesting a

second public hearing.

5. On May 10, 2024, the Commission issued its *Order Granting Limited Waiver and Requiring Additional Public Notice* directing DEC to publish its updated Notice on or before May 31, 2024, and declining Public Staff's request for second public hearing.

6. On May 14, 2024, Public Staff filed its Motion for Oral Argument and Leave to File Supporting Briefs.

7. On May 17, 2024, Carolina Utility Customers Association, Inc. ("CUCA") filed a Motion for Extension of Time to File Intervenor Testimony, requesting a three-day extension to file direct testimony and exhibits for CUCA, Public Staff, and other intervenors.

8. On May 20, 2024, the Commission issued its *Order Granting Extension of Time to File Expert Witness Testimony and Permitting Prehearing Legal Briefs*, permitting the Public Staff and other intervenors to file direct testimony and exhibits on or before Thursday, May 23, 2024 and authorizing parties to file legal briefs by no later than Wednesday, May 29, 2024.

9. On May 22, 2024, the Company filed a Motion for Extension of Time, requesting the Commission to grant a three- day extension of time through and including Monday, June 3, 2024, to file rebuttal testimony.

10. On May 23, 2024, Public Staff filed the direct testimonies and exhibits of Darrell Brown, Evan D. Lawrence, Michelle Boswell, and James S. McLawhorn; CUCA filed the direct testimony and exhibits of Jonathan Ly; and CIGFUR filed the direct testimony and exhibits of Brian Collins.

11. In response to the Company Proposed Mitigant, described above, Witness Ly is proposing to delay the impact of the fuel rider increase from September 1, 2024 to January 1, 2025, effectively delaying recovery of the Prospective rate and EMF rate over an 8-month billing period as compared to the statutory 12-month billing period (September 1, 2024 through August 31, 2025 (the “CUCA Mitigant”). CIGFUR Witness Collins offered testimony supporting the CUCA Mitigant.

12. On May 24, 2024, the Commission issued its Order granting the Company’s request for a three-day extension.

13. On May 29, 2024, the Company and Public Staff filed limited pre-hearing briefs.

14. On June 3, 2024, the Company filed rebuttal testimony and exhibits of Sigourney Clark and Bryan Sykes and testimony of John D. Swez and Steven D. Capps.

15. The Company, CIGFUR, and CUCA have engaged in substantial negotiations to see if an agreement could be reached as to a strategy to further mitigate rate impact beyond the Company Proposed Mitigant.

16. As a result of the settlement discussions, the Stipulating Parties reached a settlement with respect to an alternative mitigation strategy for further smoothing of the Industrial customers fuel and fuel-related costs in this proceeding as further detailed below (“Alternative Mitigant”). The Stipulating Parties agree and stipulate as follows:

II. GENERAL PROVISIONS & RESOLVED ISSUES

1. The Stipulating Parties acknowledge that the Company’s projected rate increase on September 1, 2024, and subsequent decrease on January 1, 2025, to the Industrial customers class would be more pronounced than that to other customer classes

as a percentage of a typical bill. As the Company explains in its Supplemental Testimony, in previous years, the Company has allocated fuel expense under the uniform percentage allocation methodology, otherwise known as the equal percent allocation methodology. In the Company's most recent general rate case in Docket No. E-7, Sub 1276, the Commission ordered the Company to eliminate the equal percent allocation methodology starting with the Company's 2024 fuel proceeding. The larger bill impacts for the Industrial customer class as compared to other rate classes is driven by the elimination of the equal percent allocation methodology. The Stipulating Parties acknowledge that pursuant to N.C. Gen. Stat. § 62-133.2(d) the Company is statutorily entitled to recover its reasonably and prudently included fuel expense in this proceeding; however, given the pronounced impact, the Stipulating Parties agree to the mitigant for Industrial customers described in paragraph (e) below to lessen bill impacts.

2. In light of the mutual acknowledgements set forth in Section II.a, the Stipulating Parties agree as follows:

- (i) CUCA and CIGFUR will not oppose or otherwise object to the Company's request to recover the 2023 Fuel Balance¹, and
- (ii) The Company agrees to support an alternative mitigation strategy ("Alternative Industrial Class Mitigant"), as detailed later below,
- (iii) The Company's agreement to support the Alternative Industrial Class Mitigant is conditioned on its recovery its 2023 Fuel Bill ("Condition Precedent").²

¹ On May 8, 2024, the Company made a supplemental filing requesting to collect its under-recovery of its 2023 Fuel Balance (approximately \$8 million through March 31, 2024, from the EMF established in Docket E-7, Sub 1282).

² Supplemental Testimony of Sigourney Clark and accompanying exhibits.

(iv) CUCA and CIGFUR's agreement to and support of the Alternative Industrial Class Mitigant is not subject to Condition Precedent but, for purposes of compromise and the other terms and conditions set forth herein, including the right to take contrary positions in future positions, CUCA and CIGFUR do not oppose the Company's recovery of its 2023 Fuel Balance.

3. For avoidance of doubt:

(i) Duke Energy Carolinas, LLC, as a signatory to this Agreement, is not rescinding the Company Proposed Mitigant. In other words, the Company is not offering the Alternative Industrial Class Mitigant in lieu of the Company Proposed Mitigant. Unless and until the Condition Precedent is satisfied, the Company maintains its position supporting the Company Proposed Mitigant. Supplemental and Rebuttal testimonies remain unchanged.

(ii) Carolina Utility Customers Association, Inc., as a signatory to this Agreement, is not withdrawing its direct testimony and maintains that further smoothing, as presented by Witness Ly, is warranted absent the Company's recovery of its 2023 Fuel Bill.

(iii) Carolina Industrial Group for Fair Utility Rates III, as a signatory to this Agreement, is not withdrawing Witness Collins' recommendation for further smoothing absent the Company's right to recover its 2023 Fuel Bill.

4. The Alternative Industrial Class Mitigant, subject to the Condition

Precedent described above, is as follows:

- (i) The Company agrees to continue billing the Industrial customers the total fuel factor established in Docket No. E-7, Sub 1282 through December 31, 2024. The total fuel factor is 3.2422 cents/kWh.
- (ii) Test period³ under-recovered fuel and fuel-related costs for the Industrial customer class will be recovered over an 8-month period as opposed to a 12-month period.
- (iii) Four and one half percent (4.5%) interest will be applied to the difference between what the Company is expected to recover over the 8-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 4.5% interest is \$748,704 to be paid by North Carolina Industrial customers.
- (iv) The Company further agrees to establish a new total fuel factor beginning January 1, 2025. This new total fuel factor is designed to recover all of the Company's fuel and fuel-related costs, inclusive of the difference in projected fuel costs attributable to maintaining Docket No. E-7, Sub 1282 fuel factors in place through December 31, 2024; under-recovered fuel and fuel-related costs in the above-captioned matter of \$56,017,539; and carrying costs of \$748,704 by August 31, 2025.

III. RATE IMPACT OF ALTERNATIVE INDUSTRIAL CLASS MITIGANT

³ January 1, 2023 through December 31, 2023

1. The above Stipulation will result in a 0.0% bill change on September 1, 2024, down from the approximately filed 9.1% requested increase for the Industrial customer class.

2. The above Stipulation will further result in a 0.6% bill decrease on January 1, 2025, up from the approximately filed 15.9% requested decrease for the Industrial customer class.

3. The total net fuel and fuel-related cost factor, for the Industrial customer class, exclusive of the regulatory fee shall be 3.1897 cents/kWh beginning January 1, 2025.

4. The prospective fuel and fuel-related cost factor, for the Industrial customer class, exclusive of the regulatory fee shall be 2.4698 cents/kWh beginning January 1, 2025.

5. The EMF (experience modification factor) cost factor, for the Industrial customer class, exclusive of the regulatory fee shall be 0.6904 cents/kWh beginning January 1, 2025.

6. The EMF interest increment cost factor, for the Industrial customer class, exclusive of the regulatory fee shall be 0.0049 cents/kWh beginning January 1, 2025.

7. The prospective fuel and fuel-related cost interest factor, for the Industrial customer class, exclusive of the regulatory fee shall be 0.0041 cents/kWh beginning January 1, 2025.

8. The EMF Increment Docket E-7, Sub 1282 factor, for the Industrial customer class, exclusive of the regulatory fee shall be 0.0205 cents/kWh beginning January 1, 2025.

IV. 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 will 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.

V. RECEIPT OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

The pre-filed testimony and exhibits or portions thereof of the Stipulating Parties on general provisions and 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.

VI. 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 other than sections IV, V, VI, VII, and VIII 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.

VII. COUNTERPARTS

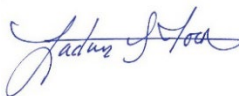
This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same

instrument. Execution by electronic signature shall be deemed to be, and shall have the same effect as, execution by original signature.

VIII. 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 6th day of June, 2024



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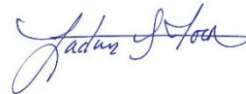
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*Attorneys for Carolina Utility Customers Association,
Inc.*

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's Agreement and Stipulation of Settlement, in Docket No. E-7, Sub 1304, 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 7th day of June, 2024.



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