



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

January 9, 2024

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

**Re: Docket No. E-7, Sub 1276 – Application of Duke Energy Carolinas, LLC
for Adjustment of Rates and Charges Applicable to Electric Service in
North Carolina and Performance-Based Regulation**

Dear Ms. Dunston:

On December 15, 2023, the Commission issued its Order Accepting Stipulations, Granting Partial Rate Increase, Requiring Public Notice, and Modifying Lincoln CT CPCN Conditions (Order). Ordering Paragraphs 58 and 59 required Duke Energy Carolinas, LLC (DEC or the Company), 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 Commission's findings and rulings within ten days of the issuance of the Order. Ordering Paragraphs 61 and 62 required DEC to file all rate schedules with accompanying calculations designed to comply with the Order and to submit a proposed customer notice to the Commission for review and approval.

On December 20, 2023, the Company filed Q. Bowman Compliance Exhibit Nos. 1-5 and Abernathy Compliance Exhibit Nos. 1-4 to address the Commission's requirements under Ordering Paragraphs 58 and 59. On January 5, 2024, DEC filed the rate schedules and the proposed customer notice in compliance with Ordering Paragraphs 61 and 62.

The Public Staff worked with DEC on the above-referenced compliance filings and the proposed customer notice, reviewed the filings and the customer notice as filed, and does not object to their approval.

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

Although the Company's original application, filed January 19, 2023, requested an effective date for new rates of January 1, 2024, the Company now requests an effective date for new rates of January 15, 2024. However, in its cover letter filed January 5, 2024, DEC requested that the PBR plan, including the MYRP with the Earnings Sharing Mechanism, residential decoupling, and PIMs begin on January 1, 2024. DEC explained that "[t]his 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." DEC also stated that "the decoupling, PIMs, and ESM riders will be assessed based on the calendar years of the PBR plan period," and that the "required quarterly reporting will align with the Company's accounting periods."

The Public Staff objects to this approach. 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. (emphasis added) The entirety of PBR, including the MYRP, Earnings Sharing Mechanism, residential decoupling, and PIMs should begin when rates become effective on January 15, 2024. Furthermore, to begin PBR on January 1, 2024, would render the residential decoupling calculation inaccurate, potentially allowing the Company to over collect from customers based on a decoupling adjustment that takes into account 14 days during which new rates were not yet in effect.

Beginning Year 1 of PBR on January 15, 2024, may require manual calculations for the period from January 15 through January 31, 2024, but the Public Staff believes that the Company has the ability to make these calculations, particularly in this limited circumstance. Furthermore, beginning Year 1 of PBR on January 15, 2024, does not prevent the Company from continuing Years 2 and 3 of PBR 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, which lists effective dates of January 1, 2025, and January 1, 2026, respectively. Alternatively, the first PBR could run from January 15, 2024, through January 14, 2025, with the future rate years beginning on January 15, 2025, and January 15, 2026, if the Company would prefer.

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The Public Staff therefore respectfully requests that the Commission deny the Company's request to begin PBR on January 1, 2024, and instead require that all the elements of PBR, including the MYRP, Earnings Sharing Mechanism, Decoupling, and PIMs, begin on January 15, 2024, in conjunction with the effective date of new rates.

Sincerely,

Electronically submitted
/s/ Lucy E. Edmondson
Chief Counsel
lucy.edmondson@psncuc.nc.gov

/s/ Nadia L. Luhr
Staff Attorney
nadia.luhr@psncuc.nc.gov

cc: Parties of Record

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