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### NORTH CAROLINA UTILITIES COMMISSION

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### North Carolina Utilities Commission Approves Coal Ash Settlement in Rate Case Order for Duke Energy Carolinas

**Raleigh, NC** -- The North Carolina Utilities Commission today issued an order approving a partial rate increase for Duke Energy Carolinas, LLC (DEC), including approval of a settlement addressing coal ash costs.

On September 30, 2019, DEC filed a request for a \$445.3 million, 9.2% rate increase. Pursuant to statute, DEC implemented temporary rates in August of 2020 to cover a portion of its requested increase. The Commission anticipates that the final rates, which have yet to be calculated, will be somewhat higher than the temporary rates that are currently in effect.

DEC and the Public Staff of the North Carolina Utilities Commission (Public Staff) filed a settlement on July 31, 2020, in which they agreed to an overall rate of return of 7.04%, which included a rate of return on common equity of 9.6% applied to a capital structure with 52% members' equity. DEC had originally requested a 10.3% rate of return on common equity applied to a capital structure with 53% members' equity. The Commission's decision today approves the return and capital structure that were agreed to by the Public Staff and DEC, finding them to be "just and reasonable." (In DEC's last general rate case order issued June 22, 2018, the Commission approved a 9.9% rate of return on common equity applied to a capital structure with 52% members' equity.)

In this proceeding, DEC initially sought approval for deferral accounting treatment of \$1.3 billion for 16 Grid Improvement Plan (GIP) programs. DEC and the Public Staff reached a settlement on DEC's GIP proposal, agreeing to reduce the number of programs to eight for spending that is planned to occur from June 1, 2020, through December 31, 2022, and to report to the Commission periodically on the implementation and effectiveness of the programs. Today's order accepts that settlement but imposes an \$800 million limit on the total amount approved for deferral treatment. The Commission's decision does not approve cost recovery; rather, the decision allows DEC to treat costs incurred in pursuing the settled GIP programs as regulatory assets pending a determination of reasonableness and prudence in a future rate case

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proceeding. DEC remains fully at risk for the reasonableness and prudence determination of its GIP-related costs when DEC seeks to recover its costs in a future proceeding.

On January 25, 2021, DEC, the Public Staff, the Attorney General's Office, and Sierra Club filed a settlement addressing costs related to coal ash. Today's order approves that settlement. DEC had originally sought recovery in this case of \$341,658,176 for coal ash basin closure and compliance costs that it incurred from January 1, 2018, through January 31, 2020, and another \$36,806,227 for related financing costs incurred by the Company through July 2020. The settlement reduced the amount of coal ash costs and financing costs sought for recovery in this case by \$224 million. The settlement permits DEC to recover its financing costs, at a reduced rate. In addition, the settlement reduces by \$108 million the amount of coal ash costs that DEC may recover during the period from February 1, 2020, through January 31, 2030, and establishes a reduced rate for financing costs incurred during that same time period. Finally, the settlement obligates DEC to share with its customers proceeds from ongoing coal ash insurance litigation.

Finally, the Commission's order today directs DEC to conduct a collaborative proceeding to examine and address affordability for low-income residential customers. In addition, today's order approves a shareholder-funded contribution (made by DEC and DEP) to the Helping Home Fund of \$3 million per year for two years (for a total of \$6 million), as well as an annual \$2.5 million shareholder contribution by DEC to the Share the Warmth Fund in 2021 and 2022 (for a total of \$5 million).

The Commission's decision today follows four public witness hearings held throughout DEC's North Carolina service area during January 2020, at which 70 public witnesses testified, as well as an expert witness hearing, beginning on August 24, 2020, and conducted by remote means, at which 68 expert witnesses presented testimony.

The Commission's order addresses each of the issues raised in the proceeding. A copy of the complete order and the entire record in this proceeding is available on the Commission's website, [www.ncuc.net](http://www.ncuc.net), under Docket No. E-7 Sub 1214.

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