

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2022-254-E**

IN RE: Application of Duke Energy Progress, LLC	)	<b>COMPREHENSIVE</b>
for Increase in Electric Rates, Adjustments in	)	<b>SETTLEMENT</b>
Electric Rate Schedules and Tariffs, and	)	<b>AGREEMENT</b>
<u>Request for an Accounting Order</u>	)	

Pursuant to S.C. Code Ann. §1-23-320(F), and all other applicable statutes and regulations, this Settlement Agreement (“Settlement Agreement”) is made by and among Duke Energy Progress, LLC (“DEP” or the “Company”), the South Carolina Department of Consumer Affairs (“DCA”), the United States Department of Defense and all other Federal Executive Agencies (“DOD/FEA”), South Carolina Small Business Chamber of Commerce (“SCSBCC”), Nucor Steel – South Carolina (“Nucor”), South Carolina Coastal Conservation League (“CCL”), Southern Alliance for Clean Energy (“SACE”), Vote Solar, Sierra Club, Walmart Inc. (“Walmart”), the South Carolina Energy Users Committee (“SCEUC”), and the South Carolina Office of Regulatory Staff (“ORS”), (collectively referred to as the “Settling Parties”, “Parties”, or sometimes individually as “Party”). Accordingly, this Settlement Agreement is comprehensive both in the scope of issues before the Public Service Commission of South Carolina (“Commission”) in this proceeding as well as its inclusion of all parties of record before the Commission in this proceeding.

WHEREAS, the Company prepared and filed on September 1, 2022, the Application of Duke Energy Progress, LLC for Increase in Electric Rates, Adjustment in Electric Rate Schedules and Tariffs, and Request for an Accounting Order (“Application”);

WHEREAS, the above-captioned proceeding has been established by the Commission pursuant to the procedure set forth in S.C. Code Ann. § 58-5-240 *et seq.*, and the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B);

WHEREAS, the DOD/FEA, SCSBCC, Nucor, CCL, SACE, Vote Solar, Sierra Club, Walmart, and SCEUC all filed timely petitions to intervene in this proceeding pursuant to S.C. Code Ann. Reg. 103-825.3;

WHEREAS, the DCA by law may advocate for the interest of consumers in matters before the Commission pursuant to S.C. Code Ann. § 37-6-604(C) and filed a timely petition to intervene in this proceeding pursuant to S.C. Code Ann. Reg. 103-825.3;

WHEREAS, ORS conducted an examination of the books and records of the Company relative to: the matters raised in the Application; test-period revenues, operating expenses, depreciation and taxes paid by the Company; rate base, plant in service, construction work in progress, working capital, capital expenditures; and other relevant accounting matters;

WHEREAS, the Parties examined all accounting and pro forma adjustments proposed by the Company, the Company’s rate design, the Company’s capital structure and cost of capital, and/or information related to the Company’s operations;

WHEREAS, the Parties have varying positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of some or all of the issues would be in their best interests and, in the case of ORS, in the public interest, and in the case of DCA, in the interest of consumers; and,

WHEREAS, following those discussions, the Parties determined that their interests, the DCA determined the consumer interest,<sup>1</sup> and ORS determined that the public interest, would be best served by agreeing to this Settlement Agreement regarding issues raised by the Parties and pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms.

**A. STIPULATION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION**

1. The Parties agree to stipulate into the record before the Commission the pre-filed testimony and exhibits (collectively, the “Stipulated Testimony”) of the below witnesses who have pre-filed testimony to date, including any testimony and exhibits supporting approval of this Settlement Agreement pre-filed with the Commission subsequent to the execution of this Settlement Agreement, without objection, change, or amendment with the exception of changes comparable to those that would be presented via an errata sheet or through a witness noting a correction consistent with this Settlement Agreement. The Parties agree to submit Verification for Testimony for those witnesses that will not be sworn in through live testimony. The Parties also agree to waive cross-examination of all witnesses. Further, the Parties reserve the right to engage in redirect examination of their respective witnesses (identified below) as necessary to respond to issues raised by the examination of their witnesses, if any, by non-parties, parties that are not signatories to this Settlement Agreement, or the Commission.

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<sup>1</sup> The DCA’s mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement, and education. Consumer interest for the purpose of DCA’s representation includes South Carolina residents who purchase utility services primarily for a personal, family, or household use.

DEP witnesses:

1. Michael P. Callahan (Direct, Rebuttal, and Settlement)
2. Larry E. Hatcher (Direct)
3. Retha Hunsicker (Direct)
4. Dr. Roger Morin (Direct and Rebuttal)
5. Karl W. Newlin (Direct and Rebuttal)
6. Jacob Stewart (Direct and Rebuttal)
7. Dan Maley (Direct)
8. Brent Guyton (Direct and Rebuttal)
9. Tom Ray (Direct and Rebuttal)
10. Julie Turner (Direct and Rebuttal)
11. Jessica L. Bednarcik (Direct and Rebuttal)
12. Mark D. Rokoff (Direct and Rebuttal)
13. Marcia Williams (Direct and Rebuttal)
14. Steven M. Fetter (Direct and Rebuttal)
15. Sean Riley (Direct and Rebuttal)
16. John Spanos (Direct and Rebuttal)
17. Nicholas G. Speros (Direct)
18. Janice Hager (Direct and Rebuttal)
19. Teresa Reed (Corrected Direct, Rebuttal and Settlement)
20. Jonathan Byrd (Direct and Rebuttal)
21. Rachel R. Elliott (Direct, Supplemental Direct, Second Supplemental Direct, Rebuttal, and Settlement)
22. James L. Coyne (Rebuttal)
23. Kim H. Smith (Rebuttal)

SCEUC witness:

1. Kevin W. O'Donnell (Direct and Surrebuttal)

DCA witnesses:

1. Eric Borden (Direct and Surrebuttal)
2. David Dismukes (Direct and Surrebuttal)
3. Aaron L. Rothschild (Direct and Surrebuttal)

DOD/FEA witnesses:

1. Brian Andrews (Direct and Surrebuttal)
2. Christopher Walters (Direct and Surrebuttal)
3. Michael Gorman (Direct and Surrebuttal)

SCSBCC witness:

1. Anthony Ward (Direct)

Nucor witnesses:

1. Jeffry Pollock (Direct and Surrebuttal)
2. Billie S. LaConte (Direct and Surrebuttal)<sup>2</sup>

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<sup>2</sup> Nucor Witness LaConte filed Corrected Direct Testimony and Exhibits on January 12, 2023.

SACE/CCL/Vote Solar witnesses:

1. David G. Hill, Ph.D. (Direct and Surrebuttal)
2. Jim Grevatt (Direct, Surrebuttal, and Settlement)

Walmart witness:

1. Lisa Perry (Direct and Surrebuttal)

ORS witnesses:

1. Robert Lawyer (Corrected Direct)<sup>3</sup>
2. Elizabeth McGlone (Direct and Surrebuttal)
3. Richard Baudino (Direct and Surrebuttal)
4. Glenn Watkins (Direct and Revised Surrebuttal)<sup>4</sup>
5. David Garrett (Direct and Surrebuttal)
6. Anthony Briseno (Direct and Revised Surrebuttal)<sup>5</sup>
7. Courtney Radley (Direct and Surrebuttal)
8. Anthony Sandonato (Direct and Surrebuttal)
9. Daniel J. Roland (Direct)<sup>6</sup>
10. Brandon Bickley (Direct and Surrebuttal)
11. Omari Thompson (Direct and Surrebuttal)
12. Dan Wittliff (Direct and Surrebuttal)
13. Michael Seaman-Huynh (Direct and Revised Surrebuttal )<sup>7</sup>
14. Shane Hyatt (Corrected Direct)<sup>8</sup>
15. Daniel Sullivan (Direct and Surrebuttal)
16. Aaron Rabon (Corrected Direct and Surrebuttal)<sup>9</sup>
17. Dawn Hipp (Direct, Revised Surrebuttal, and Settlement)<sup>10</sup>

2. The Parties agree to offer no other evidence in the proceeding other than the Stipulated Testimony and Exhibits and this Settlement Agreement unless the additional evidence is to support the Settlement Agreement, consists of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction or clarification, consists of a witness adopting the testimony of another if permitted by the Commission, or is responsive to issues raised by examination of the Parties' witnesses by non-Parties, parties which are not

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<sup>3</sup> ORS Witness Lawyer filed Corrected Direct Testimony on December 2, 2022.

<sup>4</sup> ORS Witness Watkins filed Revised Surrebuttal Testimony on January 6, 2023.

<sup>5</sup> ORS Witness Briseno filed Revised Surrebuttal Testimony and Exhibits on January 6, 2023.

<sup>6</sup> ORS Witness Roland filed Corrected Direct Testimony on January 6, 2023.

<sup>7</sup> ORS Witness Seaman-Huynh filed Revised Surrebuttal Testimony and Exhibit on January 6, 2023.

<sup>8</sup> ORS Witness Hyatt filed Corrected Direct Testimony and Exhibits on January 6, 2023.

<sup>9</sup> ORS Witness Rabon filed Corrected Direct Testimony and Exhibits on January 6, 2023.

<sup>10</sup> ORS Witness Hipp filed Revised Surrebuttal Testimony on January 6, 2023.

signatories to this Settlement Agreement, the Commission, or by late-filed testimony by non-parties. The Parties agree that nothing herein will preclude each party from advancing its respective positions in the event that the Commission does not approve the Settlement Agreement in its entirety.

### **B. SETTLEMENT AGREEMENT TERMS**

3. This Settlement Agreement is a compromise of all the positions advanced by the Parties. The Parties agree to and accept the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the final agreement of the Parties.

4. The Parties agree that this Settlement Agreement is comprehensive and non-severable. This Settlement Agreement is the result of extensive negotiation and compromise among the Parties, and it resolves all issues presented including all pending motions. The Parties agree that if the Commission declines to approve the settlement in its entirety and without modification, any Party may withdraw from the Settlement Agreement and be released from its terms without penalty or obligation.

5. The Parties agree that this Settlement Agreement pertains to matters addressed in this case, and unless specified otherwise nothing in this Settlement Agreement binds Parties from taking an alternative position in any current or future proceeding in South Carolina or any other jurisdiction. The Parties agree that the Settlement Agreement terms agreed upon in this case are reasonable, in the public interest, and in accordance with South Carolina law and regulatory policy. The Parties' agreement that the terms of the Settlement Agreement are reasonable as a whole does not in any way indicate any Party's position as to the reasonableness of any single term taken out of the context of the Settlement Agreement.

6. Without prejudice to the position of any Party in any current or future proceedings unless specified otherwise, the Parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses, unless specifically modified by this Settlement Agreement or Attachment A to the Settlement Agreement.<sup>11</sup>

**Revenue Increase, EDIT, Return on Common Equity, and Capital Structure**

7. For purposes of this Settlement Agreement, and in recognition of the mutual compromises contained herein, the Parties further agree that the Application, Stipulated Testimony, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments appended to the Settlement Agreement as Attachment A are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) the rates generate an annual base revenue increase equaling \$52,297,000, or approximately an 8.83% increase from current rates, exclusive of riders and mitigation measures contemplated in this Settlement Agreement, to be effective April 1, 2023; (iii) the rates generate an annual net base revenue increase equaling \$35,871,000, or approximately 5.81%, inclusive of riders and mitigation measures contemplated in this Settlement Agreement, to be effective April 1, 2023; (iv) the rates in this proceeding shall be based on a 9.6% return on common equity (“ROE”) and a capital structure that includes 47.57% debt and 52.43% equity; (v) the Company’s cost of debt is 3.77%, resulting in a weighted average cost of capital (“WACC”) for the Company as a result of this proceeding of 6.83%<sup>12</sup>; and (vi) the Company’s rates resulting from the Settlement Agreement appended as Attachment B are designed to recover the revenue

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<sup>11</sup> Attachment A is comprised of Elliot Settlement Exhibits 1 through 3. The figures included in these exhibits assume an authorized ROE of 9.60% and a capital structure of 52.43% equity.

<sup>12</sup> The Company’s actual weighted average cost of capital resulting from the Settlement Agreement is 6.826%.

requirement in an equitable and reasonable manner, are just and reasonable, and should be adopted by the Commission for service rendered by the Company.

8. To mitigate the rate increase contemplated in Paragraph 7 during the period of April 1, 2023 through December 31, 2025, the Company agrees to accelerate the return of deferred income tax benefits resulting from the Federal Tax Cuts and Jobs Act of 2017 (“Tax Act”) through its Excess Deferred Income Taxes (“EDIT”) Rider. The effect of this accelerated return is an annual rate decrease of approximately \$16,426,000 beginning with service rendered on and after April 1, 2023, and concluding when the total balance of the Unprotected EDIT associated with property, plant, and equipment (“PP&E”) is fully depleted in the period ending December 31, 2025. The Company agrees to continue to return the Unprotected Property related EDIT via the EDIT Rider in the manner described above until the full balance of Unprotected Property related EDIT is depleted.

9. In its Application and through testimony, the Company sought approval of an ROE of 10.20% and requested a revenue increase of approximately \$89 million, or 14.5% above current rates, based on the adjusted test year data. Under the terms of the Settlement Agreement, the annual base revenue increase is approximately \$52,297,000, or approximately 8.83% above current rates, which is a decrease of approximately \$37 million relative to the Application and before EDIT mitigation.<sup>13</sup> With the annual EDIT mitigation of approximately \$16,426,000 effective April 1, 2023, and ending December 31, 2025, the net annual revenue increase to customers is approximately \$35,871,000, or approximately 5.81%.

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<sup>13</sup> Exact figures provided in Attachment A.



10. With this Settlement Agreement, a residential customer using 1,000 kWh per month would see a net monthly increase of \$10.95, reflecting a \$15.18 increase in base rates less a \$4.23 reduction due to the EDIT Rider.

**Coal Ash Basin Closure Expense Adjustments (Coal Ash ARO Regulatory Asset)**

11. The Company agrees to a permanent, one-time \$50,000,000 disallowance on a South Carolina retail basis of coal ash basin closure costs (“CCR Costs”) incurred through August 2022 associated with ORS Witness Wittliff’s recommended adjustments to the Company’s CCR Costs.

12. In addition to the \$50,000,000 disallowance on the CCR Costs incurred through August 2022 described herein, DEP agrees to permanently forego recovery in any future cases of any remaining coal ash costs sought by DEP but not allowed for recovery by the Commission in Docket No. 2018-318-E.

13. Subject to Paragraphs 11 and 12 of this Settlement Agreement, the Parties agree to the continuation of deferred accounting treatment for CCR Costs. The deferral will include a debt return only, at the most recent Commission approved debt rate, for the deferral period and rate base treatment during the amortization period. The deferral will be subject to a review for reasonableness and prudence in the next general rate proceeding.

14. Other than the permanent disallowance of the costs identified in Paragraphs 11 and 12 of this Settlement Agreement, the disallowance of CCR Costs is solely related to this comprehensive Settlement Agreement and shall have no precedential effect on the recoverability of CCR Costs or the continuation of deferral accounting treatment in future proceedings, and the Parties reserve their rights on any other legal issues (i.e., the North Carolina Coal Ash Management

Act, U.S. Environmental Protection Agency rules and regulations, etc.) or to advance any other positions on coal ash in future cases.

15. The Settling Parties further agree that they will, prior to January 1, 2030, engage in good faith negotiations to resolve all issues and claims in connection with CCR Costs incurred by DEP after February 28, 2030. The agreement to work in good faith toward resolution shall not have any precedential effect and shall not impact or limit, in any way, a Party's ability to advance in future proceedings any legal arguments, theories, positions, etc. regarding CCR Costs. This provision does not place any obligation upon any Party to resolve those issues and claims in a future proceeding, and each Party maintains complete discretion to approve or reject any proposed settlement for those issues and claims in a future proceeding.

#### **Expense Adjustments**

16. The Parties accept the ORS recommendation to remove 50% of the costs associated with Duke Energy Corporation's ("Duke") Board of Directors ("BOD") compensation, 50% of expenses associated with directors and officers liability insurance, and 50% of all remaining BOD expenses (excluding aviation) (ORS Adjustment 33).

17. The Parties accept the ORS recommendation to limit coal inventory in base rates to thirty-five (35) days for ratemaking purposes (ORS Adjustment 28 to Company Adjustment SC6010).

18. The Parties accept the ORS recommendation to remove the fuel escalation factor from the End of Life Nuclear Reserve Adjustment (ORS Adjustment 12 to Company Adjustment SC2120).

19. The Parties accept the ORS recommendation to remove executive deferred compensation and non-qualified pension expense (ORS Adjustment 34 and ORS Adjustment 8 to Company Adjustment SC2060).

20. The Parties accept the ORS recommendations to the executive compensation adjustment (ORS Adjustment 6 to Company Adjustment SC2040).

21. For the Asheville Combined Cycle (“CC”) regulatory asset, the following provisions have been agreed upon by the Parties:

- a. Increase the amortization period to thirty-seven (37) years per the ORS recommendation.
- b. The deferral will include a debt return only (at the most recent Commission approved debt rate) for the deferral period and rate base treatment during the amortization period.
- c. The deferral will include depreciation, property taxes, and returns through March 2023.

22. For the CCR non-ARO regulatory asset, the following provisions have been agreed upon:

- a. Increase the amortization period to seven (7) years per the ORS recommendation.
- b. The deferral will include a debt return only (at the most recent Commission approved debt rate) for the deferral period and rate base treatment during the amortization period.
- c. The deferral will include depreciation and return on known investment balance through March 2023.

23. The Parties accept the ORS recommendation in Revised Surrebuttal Testimony and Exhibits to update plant and accumulated depreciation inclusive of retirements through August 2022.

24. For the Grid Improvement Plan (“GIP”) regulatory asset, the following provisions have been agreed upon by the Parties:

- a. Increase the amortization period to seventeen (17) years.
- b. The deferral will include a debt return only (at the most recent Commission approved debt rate) for the deferral period and rate base treatment during the amortization period.
- c. The deferral will include depreciation, property taxes and returns through March 2023.
- d. The Parties agree to the continuation of deferred accounting treatment for GIP investments until the rates effective date in the Company’s next general rate case. Construction Work in Progress for GIP investments will not be included in rate base in this case. The Parties agree it is appropriate to consolidate Docket No. 2022-281-E with this docket and to resolve Docket No. 2022-281-E through this Settlement Agreement.
- e. Grid investments and any continuation of deferral accounting treatment will be subject to a review for reasonableness and prudence in the next general rate proceeding. The deferral will include a debt return only (at the most recent Commission approved debt rate) for the deferral period and rate base treatment during the amortization period.

- f. The Company will identify, quantify and record to the GIP deferred account incremental savings to the Company resulting from GIP expenditures that are placed into the regulatory asset. These savings may include, but are not limited to, reductions in operating expenses, improvements in revenue assurance, increased conservation, and reductions in peak demand.

25. For the Act 62 expense, rate case expense and the Advanced Metering Infrastructure (“AMI”) deferrals, the following provisions have been agreed upon by the Parties:

- a. The AMI deferral will include a debt return only (at the most recent Commission approved debt rate) for the deferral period and rate base treatment during the amortization period. The AMI deferral will include depreciation and return on known investment balance through March 2023.
- b. The Act 62 and rate case expense deferrals will not receive rate base treatment during the amortization period and will not include returns during the deferral period.
- c. Accept the amortization periods recommended by ORS as follows:
  - i. Act 62 regulatory asset – amortization period of three (3) years;
  - ii. Rate Case expense regulatory asset – amortization period of five (5) years;
  - and
  - iii. AMI expense regulatory asset – amortization period of fifteen (15) years.

26. Rate case expenses requested in this case (which include 2018 rate case expenses not previously recovered) are limited to actual and prudent expenses verified by ORS not to exceed \$4.5 million. Rate case expenses are excluded from rate base.

27. The Parties accept the ORS recommendation to exclude the Roxboro Wastewater Treatment Facility from rate base, extend the amortization period to eleven (11) years and to remove the estimated dismantlement costs from the calculation of the amortization expense. DEP may charge actual dismantlement costs to the regulatory asset and continue the amortization until the regulatory asset is fully amortized, provided the ORS may review the actual dismantlement costs for reasonableness and prudence in the Company's next rate case.

28. The Parties agree that employee incentive compensation expenses shall be adjusted to exclude 50% of all Test Year incentives tied to Earnings Per Share ("EPS") and Total Shareholder Return ("TSR").

29. For Depreciation rates, the following provisions have been agreed upon by the Parties:

- a. Accept the 2021 Depreciation Study. DEP shall not establish a regulatory asset to record the incremental impact of the 2021 Depreciation Study.
- b. Accept the ORS recommended adjustments to the 2021 Depreciation Study for Accounts 364, 365, 368, and 369, to remove the escalation rate of 2.5%, and on the retirement date of 2033 for the Roxboro common facilities
- c. Accept the Company's adjustments to the 2021 Depreciation Study for Accounts 352 and 356, Mayo Unit 1, contingency and Roxboro Units 3 and 4.

30. The Parties agree to accept the Company's recommendation to normalize storm costs over a five (5) year period (Company Adjustment SC7010).

31. The Parties agree to accept the Company's recommendation to establish a storm reserve to collect \$3 million per year with the accumulated reserve not to exceed \$50 million

(Company Adjustment SC7030). The Company agrees to implement the following customer protections as recommended by ORS:

- a. Should the Company exceed the maximum fund amount of \$50 million in customer contributions, customer funds to the Storm Reserve shall be returned to customers in DEP's next rate case proceeding.
- b. The Company shall provide quarterly status reports, including at a minimum: the current balance of the storm reserve account, the total aggregate costs and expenses per storm restoration event, the type of storm or weather event (example: thunderstorm, flood, ice storm, windstorm, a named storm such as a hurricane, etc.), and the impact of the weather event on DEP's system including a summary of the types of restoration and repairs made by the Company.
- c. Unless DEP receives prior approval from the Commission, the Company shall not withdraw or otherwise use the Storm Reserve funds to pay for: 1) insurance premiums; 2) the Company's expenses related to routine vegetation management; 3) rate impact mitigation; or 4) other costs or expenses incurred by the Company that are unrelated to storm damage restoration costs.
- d. The Storm Reserve account may not be recorded on the books and records of an affiliate, parent, or holding company at any time. The Storm Reserve may not be combined with any other funds. In order for the Storm Reserve account to be transferred to another entity or for DEP to change the entity that would maintain control of the account, DEP shall first request and receive approval from the Commission.
- e. DEP shall not use the Storm Reserve in lieu of the Property Insurance Policy to cover or otherwise pay for assets covered by the insurance policy for which, after a storm event, DEP seeks recovery via the Property Insurance Policy, without Commission approval. Should the Storm Reserve be utilized for assets listed on the Property Insurance Policy and DEP ultimately receives insurance payments, settlement, or recovery amounts from insurance carriers for claims related to a storm or weather event, then the customer contributions to the Storm Reserve should be reduced by any insurance payments, settlement, or recovery amounts received by the Company.
- f. In order for DEP to request or seek a change to the annual customer contributions cap, the total account maximum cap, any of these customer protections, or anything involving how the Storm Reserve is operated, maintained, monitored, controlled, and utilized, the Company shall be required to conduct and file with the Commission a Storm Reserve Study that, at a minimum, includes data and sufficient justification for determining a target maximum balance for the Storm Reserve account as well as a target for the maximum annual collections.

32. For Nuclear Materials and Supply Inventory (“M&S Inventory”), the following provisions have been agreed upon by the Parties:

- a. Accept the Company’s position that no exclusions should apply to M&S Inventory.
- b. The Company is required to have an independent third-party perform a review and audit of the DEP nuclear, fossil, and hydro M&S inventory and program controls. The independent audit of M&S inventory shall be, at a minimum, for at least one (1) nuclear, one (1) fossil and one (1) hydro station by the time of the next general rate case filing, or within three (3) years of the Commission order in this rate case, whichever is sooner. The Company shall establish a long-term schedule for continuous independent audit cycles for M&S inventory (e.g., a three (3) to five (5) year rotational cycle).

33. The Parties agree that no exclusion should be applied to Plant Held for Future Use greater than four (4) years.

34. The Parties agree there will be no adjustment to Test Year Facilities Rent expense.

35. In consideration of the terms and conditions of this Settlement Agreement, the Parties agree to include \$19,990 of expenses disallowed in Docket No. 2022-255-E, per the ORS recommendation, applied to the Adjust Test Year Expenses (Non-Allowables) adjustment (ORS Adjustment 9 and Company Adjustment SC2080).

36. The Parties agree to all other expense adjustments as recommended by ORS, except as provided in the provisions of this Settlement Agreement, and all necessary fallout adjustments that changed due to this Settlement Agreement.



37. The proposed accounting and pro forma adjustments are appended to the Settlement Agreement as Attachment A and the Parties agree they are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes.

### **Other Matters**

38. The Parties agree to the Rate Design as outlined in Attachments B through E, which reflects the following provisions:

- a. A Rate Migration Adjustment of 50%.
- b. The increase in revenue agreed to herein (exclusive of the EDIT mitigation) will be allocated to each Rate Class consistent with the cost of service study included in the Direct Testimony of Company Witness Hager with proforma adjustments necessary to reflect the provisions of this Settlement Agreement. Neither the cost of service study adopted solely for purposes of this Settlement Agreement nor the revenue allocation agreed to by the Parties for purposes of this Settlement Agreement shall have any precedential effect in future proceedings, and all Parties may argue for different cost allocation, rate design and revenue spread methodologies in future cases. The resulting revenue increase to each Rate Class for purposes of this Settlement Agreement shall be as follows:

<b><u>Rate Class</u></b>	<b>Allocation Percentage Including Riders</b>	<b>Allocation Percentage Excluding Riders</b>
<b>RES</b>	12.03%	12.71%
<b>SGS</b>	8.27%	8.83%
<b>SGSTCLR</b>	10.59%	11.53%
<b>MGS</b>	5.69%	6.06%
<b>LGS</b>	3.89%	3.87%
<b>SI</b>	6.40%	6.83%
<b>TSS</b>	18.44%	19.62%

<b>ALS, SLS</b>	14.96%	14.70%
<b>SFL</b>	6.80%	6.75%
<b>SC-RETAIL</b>	8.47%	8.83%

The allocation percentages to each Rate Class, inclusive of EDIT, are as follows:

<b><u>Rate Class</u></b>	<b>Allocation Percentage Including Riders</b>	<b>Allocation Percentage Excluding Riders</b>
<b>RES</b>	8.72%	9.20%
<b>SGS</b>	5.33%	5.69%
<b>SGSTCLR</b>	7.30%	7.95%
<b>MGS</b>	3.60%	3.84%
<b>LGS</b>	2.22%	2.21%
<b>SI</b>	3.86%	4.13%
<b>TSS</b>	14.05%	14.95%
<b>ALS, SLS</b>	10.19%	10.01%
<b>SFL</b>	3.51%	3.48%
<b>SC-RETAIL</b>	5.81%	6.06%

- c. DEP agrees to reduce the LGS-TOU Schedule's on-peak energy charges by the reduction in the revenue requirement, exclusive of any EDIT decrements, allocated to the LGS-TOU Rate Schedule associated with this Settlement Agreement. The proposed reduction to the EDIT Rider allocated to Schedule LGS-TOU shall apply to the on-peak, off-peak, and discount energy periods.

39. The Company agrees to perform a Lead-lag Study before the next general rate proceeding and present the results to the Commission and ORS.

40. For Vegetation Management, the following provisions have been agreed upon by the Parties:

- a. DEP shall report to the Commission and ORS on the miles of transmission and distribution that are cut, sprayed, and maintained as part of the tree trimming and vegetation management work plan on a quarterly basis.
- b. DEP shall develop and provide to the Commission and ORS an annual action plan for the next 12-month period by no later than December 31 of each year for all planned transmission and distribution miles to be maintained. The annual action plan should include but is not limited to: 1) estimated costs for implementation; 2) estimated transmission and distribution miles to be maintained; and 3) an update on actual Company activities comparing the actual costs and miles maintained compared to the projected costs and miles maintained from the current 12-month period.
- c. DEP shall deploy the vegetation management funds for only vegetation management and tree trimming. DEP shall report its level of spending to the Commission and ORS as part of the annual action plan.

41. The Company agrees to build upon the existing Integrated System & Operations Planning (“ISOP”) stakeholder process to inform and contribute to future GIPs and commits to submit biannual informational reports to the Commission on the status of the ISOP process, including a summary of stakeholder recommendations, through December 31, 2024. This distribution planning focus in the ISOP stakeholder process will include sharing data about distribution Non-Traditional Solutions (“NTS”), opportunities for stakeholders to provide inputs and recommendations on the Company’s distribution NTS planning framework and analyses, and an opportunity to review and provide iterative feedback on results. Each iteration of this

distribution NTS screening process will include identification of candidates for the development of distribution NTS.

42. Following the release of the Company's Climate Risk & Resilience Study Final Report, the Company agrees to work collaboratively with stakeholders, including community members, to discuss and work in good faith to develop and implement at least one potential target initiative as part of its GIP, to be informed by the Final Report, subject to Commission approval and included in an informational filing as described in Paragraph 41 above. The Company shall evaluate the effectiveness of any implementation plans developed for the initiatives for potential use in expanded initiatives and budgeting in future GIPs. In considering potential initiatives, emphasis should be placed on those initiatives designed to address equity or environmental justice issues while also demonstrating the use of distributed energy resources as NTS.

43. The Company agrees to work with the EE/DSM Collaborative to develop and file for approval by the Commission its Income-Qualified ("IQ") High-Energy Use pilot program and a Tariffed On-Bill pilot program as soon as practicable, but no later than December 31, 2023.

44. The Company agrees to file for approval to ramp up its proposed annual investments for all IQ program costs incurred by the Company in South Carolina to at least \$1,000,000 by 2025, \$750,000 of which will go toward the enhanced Neighborhood Energy Saver ("NES") program, provided evaluation shows this to be feasible and subject to Commission approval.

45. The Company agrees to work with the EE/DSM Collaborative to develop a plan to increase its installation of comprehensive energy savings measures associated with the enhanced NES program in South Carolina, such as air sealing, insulation, and duct sealing. The Company further agrees to submit an informational update to the Commission with revised annual energy

savings projections at the higher spending level and to work with the EE/DSM Collaborative to identify and address potential barriers to successfully deploying the additional spending.

46. The Company agrees to work with the EE/DSM Collaborative to develop a plan for integrated customer participation in the Inflation Reduction Act (“IRA”) for customers who participate in its IQ programs to maximize and expand benefits to highly electric energy burdened households; the Company will endeavor to have a final plan ready to be filed concurrently with the announced availability of IRA rebates in South Carolina.

47. The Company agrees to develop and implement an action plan to support all of its customers by participating in the opportunities created by the IRA, such as by helping customers to understand which measures qualify for IRA rebates and tax credits and how they can find a contractor and comply with application criteria. The Company will endeavor to have a final action plan ready to be filed concurrently with the announced availability of IRA rebates in South Carolina. The Company will offer to preview the final action plan with the ORS.

48. All Parties to this Settlement Agreement reserve their rights to review, challenge, support, and raise any issues or legal arguments regarding the programs or initiatives described in Paragraphs 41 through 47. No Party can assert that the terms in Paragraphs 41 through 47 convey an express or implied consent with the underlying merits of the commitments made in Paragraph 41 through 47.

49. The Company agrees to address the impact of an increase in rates on overall electric energy burden in its next general rate proceeding.

50. The Parties agree to hold in abeyance all pending motions, including an abeyance of any deadlines to file responses and/or replies.

### **C. REMAINING SETTLEMENT AGREEMENT TERMS AND CONDITIONS**

51. The Parties agree that this Settlement Agreement is reasonable, is in the public interest, is in accordance with law and regulatory policy, and agree to support the resolution of issues agreed to herein in this proceeding and not to undertake any action to undermine that support. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party or its affiliates in any current or future proceeding in South Carolina or any other jurisdiction. Except as specifically provided otherwise previously herein, this Settlement Agreement does not establish any precedent with respect to the issues resolved herein and in no way precludes any Party from advocating an alternative position in any current or future proceeding in South Carolina or any other jurisdiction.

52. ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B), which reads in part:

... 'public interest' means the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes this Settlement Agreement reached among the Parties is in the public interest as defined above.

53. The Parties agree that this Settlement Agreement must be read and construed as a whole and to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission in its entirety as a fair, reasonable and full resolution of the issues set forth in the Company's Application and described herein. The Parties agree to use reasonable efforts before any reviewing court in the event of appeal

to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

54. The Parties offer this Settlement Agreement to the Commission in its entirety as a comprehensive settlement which is the product of intensive and extensive negotiations between the Parties. The Parties agree that this Settlement Agreement confers benefits to Parties in exchange for concessions by Parties. As such, the Parties ask the Commission to approve this Settlement Agreement in its entirety without exception, modification, or additional provisions.

55. The Parties on behalf of themselves and their agents (including but not limited to their attorneys, hired consultants, and any independent contractors) agree that they have entered into this Settlement Agreement freely and voluntarily and that none of them have been pressured or unduly encouraged to enter into this Settlement Agreement.

56. Except as specifically provided otherwise previously herein or as necessary to effectuate the terms of this Settlement Agreement, the Parties agree that signing this Settlement Agreement (a) will not constrain, inhibit, impair, or prejudice them or their affiliates' arguments or positions held in future or collateral proceedings; (b) will not constitute a precedent or evidence of acceptable practice in future proceedings; and (c) will not limit the relief, rates, recovery, or rates of return that any Party may seek or advocate for in any future proceeding. If the Commission declines to approve this Settlement Agreement in its entirety and without modification, then any Party may withdraw from the Settlement Agreement without penalty or further obligation.

57. This Settlement Agreement shall be interpreted according to South Carolina law.

58. This Settlement Agreement contains the final and complete agreement of the Parties. There are no other terms or conditions to which the Parties have agreed.

59. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, but prior to a Commission decision on the merits of this proceeding, a Party is made aware of information that conflicts, nullifies, or is otherwise materially different than the information upon which this Settlement Agreement is based, that Party may withdraw from the Settlement Agreement with written notice to every other Party.

60. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

61. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement, by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the Settlement Agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURES ON FOLLOWING PAGES]



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A handwritten signature in blue ink, appearing to be 'S. Elliott', is written over a horizontal line.

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**Representing the Small Business Chamber of Commerce**

*s/ Charlie Terreni*

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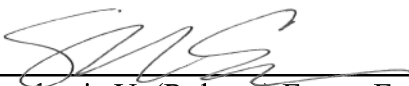


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