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April 2, 2024

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket 20240025-EI, Petition for Rate Increase by Duke Energy Florida, LLC

Dear Mr. Teitzman,

Attached for filing on behalf of Duke Energy Florida, LLC's ("DEF") in the above-referenced docket is the Direct Testimony of Shannon Caldwell and Exhibit Nos. SC-1, SC-2 and SC-6 and Redacted Exhibit Nos. SC-3 through SC-5 and SC-7

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-4692 should you have any questions concerning this filing.

(Document 9 of 40)

Respectfully,

/s/ Dianne M. Triplett

Dianne M. Triplett

DMT/mw

Attachments

CERTIFICATE OF SERVICE

Docket No. 20240025-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 2nd day of April, 2024, to the following:

/s/ Dianne M. Triplett
Dianne M. Triplett

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for Rate Increase by
Duke Energy Florida, LLC**

Docket No. 20240025-EI

Submitted for filing: April 2, 2024

**DIRECT TESTIMONY
OF
SHANNON CALDWELL**

On Behalf of Duke Energy Florida, LLC

1 **I. INTRODUCTION AND SUMMARY.**

2 **Q. Please state your name and business address.**

3 A. My name is Shannon Caldwell. My business address is 525 South Tryon Street, Charlotte,
4 North Carolina, 28202.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Duke Energy Business Services LLC (“DEBS”) as Director,
8 Compensation. DEBS provides various administrative and other services to Duke Energy
9 Florida (“DEF or the “Company”) and other affiliated companies of Duke Energy
10 Corporation (“Duke Energy”).

11
12 **Q. What are your duties and responsibilities with respect to DEF?**

13 A. I am responsible for broad-based compensation for Duke Energy, including all of Duke
14 Energy’s affiliated regulated and non-regulated companies, including DEF. I am
15 responsible for compensation design and strategy, management of key vendor
16 relationships, compensation administration and compliance.

17
18 **Q. Please summarize your education and professional qualifications.**

19 A. I graduated from the University of North Carolina with a Bachelor of Science degree in
20 Business Administration and the University of South Carolina with a master’s degree in
21 Human Resources. I also hold various certifications including a Certified Compensation
22 Professional designation. I have 10 years of human resource experience, primarily working
23 with compensation programs. I joined Duke Energy in 2013 and have held various

1 positions in human resources. In addition, I have served in key roles on several projects,
2 including the integration of Progress Energy and Piedmont Natural Gas employees into
3 Duke Energy's compensation programs. In my current role as Director, Compensation, I
4 am responsible for all broad-based compensation, including compensation design and
5 strategy, management of key vendor relationships, and compensation administration and
6 compliance.

7
8 **Q. Have you previously testified before this Commission?**

9 A. No, I have not.

10
11 **Q. What is the purpose of your direct testimony?**

12 A. The purpose of my testimony is to show that the benefits and compensation opportunities
13 provided to employees are reasonable, customary, prudent and market competitive. My
14 testimony illustrates that the benefit programs and compensation opportunities provided to
15 Duke Energy, including DEF's employees, are critical for attracting, engaging, retaining,
16 and directing the efforts of employees with the skills and experience necessary to
17 efficiently and effectively provide electric service to DEF's customers.

18 **Q. Do you have any exhibits to your testimony?**

19 A. Yes. The following exhibits were either prepared by me or under my supervision and
20 direction:

- 21 • Exhibit SC-1, a list of the Minimum Filing Requirements (MFRs) schedules that I
22 sponsor or co-sponsor;
- 23 • Exhibit SC-2, Duke Energy 2023 Survey Library;

- 1 • Redacted Exhibit SC-3, 2023 Duke Energy Short-Term Incentive Plan
- 2 • Redacted Exhibit SC-4, 2023 Duke Energy Short-Term Incentive Scorecard;
- 3 • Redacted Exhibit SC-5, 2023 Duke Energy Executive Long-Term Incentive Plan
- 4 brochure;
- 5 • Exhibit SC-6, 2023 Duke Energy Restricted Stock Unit Award Summary; and
- 6 • Redacted Exhibit SC-7, Duke Energy Florida Year End 2023 Disclosure and Fiscal
- 7 2024 Cost.

8 All of these exhibits are true and accurate.

9

10 **Q. Do you sponsor any schedules of the Company's Minimum Filing Requirements**
11 **(MFRs)?**

12 A. Yes, I sponsor or co-sponsor the MFR schedules noted on Exhibit SC-1, which are true and
13 accurate, subject to being updated in the course of this proceeding.

14 **Q. Please summarize your testimony.**

15 A. The purpose of my testimony is to demonstrate that the compensation and benefits
16 programs provided to Duke Energy employees are necessary to attract, engage and retain
17 the skilled and experienced workforce the Company needs to provide reliable electric
18 service to its customers. I explain how these programs are market competitive and
19 comparable to programs offered by other utilities, as well as other companies outside of
20 the utility industry. My testimony discusses why being market competitive is critical,
21 namely because Duke Energy competes with other utilities and companies in the labor
22 market for talent.

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I also outline the design and function of our compensation programs and explain how they are in line with the industry, are market competitive, and how the performance metrics directly benefit DEF customers through safe and reliable service, customer service quality, and managing costs to be as low as possible. As described in greater detail in my testimony, incentive pay is a key component of Duke Energy’s compensation program. In the competitive market for talent, employees consider the total rewards package, including base pay, incentive pay, and benefits, as a key determinant in deciding whether to work for a particular employer. Accordingly, whether it is through base pay or a combination of base pay and incentives, Duke Energy must keep its overall compensation package competitive to attract and retain a competent workforce. Incentive pay is therefore similar to other costs necessary to provide customers safe and reliable service. As such, in my opinion, the program expenditures by the Company in connection with these programs are reasonable and prudently incurred costs of service to our customers.

The factors that underpin the importance of full cost recovery have not diminished since our rate settlement agreement in 2021 – to the contrary, many employers and industries have experienced greater workforce turnover as a result of the “Great Resignation,” and the electric utility industry is no exception. Employee turnover is expensive, particularly in specialized industries – such as ours – which utilize a highly skilled labor force that requires lengthy and intensive periods of apprenticeship and training. Accordingly, as my testimony demonstrates, the Company’s allocated compensation expense, including incentive compensation, is reasonable and prudent, and should be recovered in rates.

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II. WORKFORCE OVERVIEW

Q. Please describe the general composition of Duke Energy’s employee populations.

A. As of December 31, 2023, Duke Energy has a total of 26,810 employees. DEF has 2,972 employees, comprised of 1,245 exempt employees, 1,727 non-exempt employees, of whom 1,278 are union employees. DEBS has 6,995 employees, comprised of 5,411 exempt employees, 1,584 non-exempt employees, of whom 781 are union employees. As previously mentioned, DEBS provides various administrative and other services to DEF and other affiliated companies of Duke Energy. These services include but are not limited to: Accounting, Information Technology, Finance, Human Resources, Supply Chain, and Legal.

Q. What type of special skills or knowledge are required to operate an electric utility such as DEF?

A. Generation, transmission, and distribution of electric power are complex undertakings requiring a highly skilled workforce. A few examples serve to illustrate this point:

- Engineering professionals to help design, build, operate, and maintain our generation plants and the transmission and distribution systems that provide power to our customers.
- Plant operators are responsible for generating the electricity that powers our customers’ homes and businesses.

- 1 • Skilled craft and technical workers, such as lineworkers, must work quickly and
2 efficiently, especially under adverse weather conditions, to maintain, improve, and if
3 necessary, restore our transmission and delivery infrastructure to keep electricity
4 flowing to our customers.
- 5 • Field service and call center employees must understand the services provided by the
6 Company, including the metering, billing, and collection processes plus various other
7 customer service matters.
- 8 • At the corporate level, highly skilled managers, engineers, accountants, cyber
9 security analysts, and other professionals are needed to support the employees who
10 are directly responsible for generating, procuring, and delivering electricity to the
11 Company's customers.

12 **Q. How important is the recruitment and retention of such employees to DEF's ability**
13 **to provide service to its customers?**

14 A. The ability to attract and retain employees with the required technical skills is critical to
15 the success of the Company, and very important to our ability to provide safe, reliable, and
16 high-quality electric utility service to our customers. A fundamental factor with respect to
17 the ability of any employer to attract and recruit skilled and qualified employees is the
18 employer's compensation and benefits programs – potential employees will simply look
19 elsewhere if the employer's total rewards package fails to achieve market competitiveness.

20 As such, compensation and benefits are highly important to the Company's ability
21 to attract, engage, and retain a qualified workforce, especially considering the size of

1 Duke Energy's approximately 28,000 employees. One of the keys to providing a
2 desirable workplace where employees want to continue working is to ensure that
3 employees have the opportunity to participate in competitive pay and benefits programs.
4

5 **Q. In recent years, have Duke Energy and DEF experienced challenges attracting and**
6 **retaining a highly trained and skilled workforce?**

7 A. Yes, Duke Energy, including DEF, has indeed experienced challenges both in attracting
8 and retaining its workforce across the entire enterprise. For example, Duke Energy's
9 enterprise job offer acceptance rate in 2023 was 86.93% compared to 84.05% in 2022,
10 87.8% in 2021, 90.7% in 2020 and 91.0% in 2019. In addition, regarding retention, in 2023
11 Duke Energy's enterprise voluntary turnover was 5.63% compared to 8.41% in 2022,
12 7.06% in 2021, 4.26% in 2020 and 5.18% in 2019. DEF's job offer acceptance rate in 2023
13 was 83.64% compared to 86.3% in 2022, 87.93% in 2021, 91.32% in 2020 and 92.09% in
14 2019. DEF's voluntary turnover was 7.10% compared to 8.07% in 2022, 7.88% in 2021,
15 5.31% in 2020 and 7.31% in 2019. These statistics show that Duke Energy and DEF,
16 despite our best efforts, have not been immune from the challenges that many employers
17 have experienced in attracting and retaining employees in recent years, with tight labor
18 market conditions, marked by high employee mobility and high inflation.
19

20 **Q. What are the implications of the challenges that Duke Energy has experienced in**
21 **attracting and retaining employees?**

22 A. Our employees deliver critical services to our customers every day, and the energy industry
23 is a knowledge and experience-intensive industry where the tenure of employees matters.

1 Maintaining a competitive compensation and benefits package is instrumental in meeting
2 Duke Energy and DEF's shared goals of providing safe, adequate, reliable, and reasonably
3 priced utility service to customers.

4
5 **III. COMPENSATION OVERVIEW: PHILOSOPHY, COMPONENTS, AND**
6 **CUSTOMER BENEFIT**

7 **Q. What is Duke Energy's compensation philosophy?**

8 A. Duke Energy's overall compensation philosophy is to target total compensation of base
9 pay and incentives, including both short- and long-term, at the median of the market when
10 compared to peer companies, with the opportunity to earn more or less relative to the
11 market median based on actual performance. We have an obligation to be responsive to the
12 market for talent and assure the competitiveness of the total compensation package,
13 consisting of base salary, cash-based incentives, and for some employees, long-term
14 incentive compensation. Duke Energy's compensation philosophy has three major parts:

15 First, Duke Energy wants its compensation to be market-based, meaning it is
16 competitive with the external labor market, allowing it to remain attractive against
17 competition in order to attract and retain qualified employees. Duke Energy employs a
18 compensation strategy that combines base pay and variable incentive opportunities for all
19 levels of positions. This approach fosters efficiency, safety, and a focus on the customer
20 by aligning our employees' pay to quality service for customers.

21 Second, Duke Energy is performance oriented. It believes that linking
22 compensation to performance is one way it can engage employees, set high expectations
23 for employees, and reward results that benefit customers. Duke Energy's compensation
24 program is designed to provide total compensation that is consistent with performance.

1 Third, Duke Energy is fair and flexible. Its well-managed policies and pay
2 administration guidelines ensure that it pays employees consistently and fairly across
3 departments, but it is also flexible when it needs to align its policies with business needs
4 as they grow and change.

5
6 **Q. Is Duke Energy's compensation philosophy for executives similar to the philosophy
7 applicable to non-executive employees?**

8 A. Yes. The compensation philosophy is similar for both executive employees and for
9 employees below the executive level in that all employees are eligible for both fixed and
10 variable pay. The compensation package for executives consists of a combination of fixed
11 and variable pay using base salary, short-term incentives, and long-term incentives. These
12 components, taken together, are targeted to deliver total compensation that is competitive
13 with Duke Energy's peers and consistent with performance. Duke Energy adopted this
14 executive compensation strategy in order to attract and retain the executive talent required
15 to deliver superior performance. The strategy emphasizes performance-based
16 compensation that balances rewards for both short-term and long-term results and that
17 aligns the executives' interests with the long-term success of Duke Energy, including DEF,
18 and its customers.

19
20 **Q. Please provide an overview of the compensation programs provided by Duke Energy.**

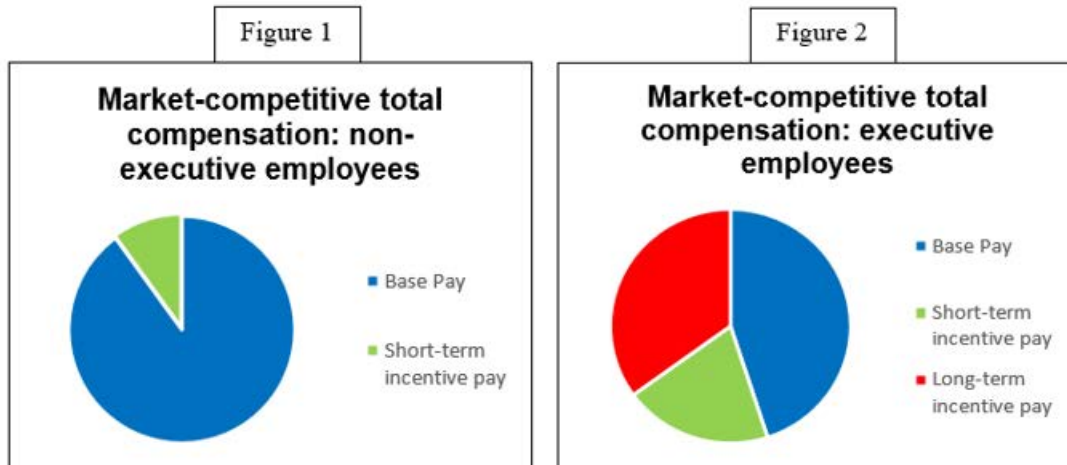
21 A. Duke Energy's compensation programs consist of a base pay component and incentive
22 pay components that together provide a market-competitive, total compensation package
23 for all employees. The base pay component is a set amount, reviewed by management at

1 least annually, and established at a level that: (1) provides compensation based on the
2 nature and responsibilities of the employee’s position; (2) is fair relative to the pay for other
3 similarly situated positions in the organization; and (3) when combined with incentive pay
4 opportunities, is market competitive.

5 The short-term incentive (“STI”) pay component is variable based on performance
6 and is “at risk” pay. All employees are eligible for STI as a component of their total pay.
7 Carving out a portion of employees’ total compensation and delivering it through variable
8 incentive pay serves the following multiple purposes: (1) encourages employees to
9 accomplish specific objectives intended to ensure safe, reliable, and economical utility
10 service for our customers; (2) fosters the success of business units and Duke Energy’s
11 overall success; and (3) aligns with competitors’ pay structures.

12 The long-term incentive (“LTI”) plans round out a competitive total compensation
13 package for certain employees in leadership positions. Including LTI programs as a portion
14 of total compensation for leadership positions is market competitive and necessary to
15 attract and retain the high-caliber leaders needed to ensure safe, reliable, and economical
16 utility service for our customers. Simply put, competent management benefits customers.

17 For illustrative purposes, the total compensation concept is depicted below in
18 Figures 1 and 2.



1 As Figures 1 and 2 make clear, base pay alone does *not* equate to market-competitive total
 2 compensation – rather, base pay *in combination with* incentive pay equates to market-
 3 competitive total compensation.

4
 5 **Q. How does Duke Energy know its compensation is market competitive?**

6 A. The Company refers to numerous published surveys to assess whether its compensation is
 7 market competitive. As compared to those surveys, the Company’s pay levels are
 8 competitive with market 50th percentile for base salary and total compensation (base pay
 9 plus incentives). As just one example, the salary range for a Senior Engineering
 10 Technologist at Duke Energy is \$86,400 to \$129,600, with a midpoint of \$108,000 and
 11 total cash compensation of \$118,800. The market median from the WTW Energy Services
 12 Mid-Management & Professional 2023 survey is \$107,983 for base pay and \$118,142 for
 13 total cash compensation for the same position. Further, we routinely benchmark total
 14 compensation (base pay plus incentives) against other similarly sized companies, both
 15 within and outside of the utility industry, and participate in a variety of third-party salary

1 surveys on an annual basis. These surveys contain aggregated compensation data, including
2 base pay and incentive targets, from multiple employers for various job functions and
3 career levels. Duke Energy analyzes this data to determine overall competitiveness of pay
4 for jobs throughout the enterprise. A complete list of the salary surveys Duke Energy
5 currently participates in is reflected in Exhibit No. _(SC-2).

6
7 **Q. Does a competitive total compensation package for employees benefit the Company's**
8 **retail customers?**

9 A. Yes. Our employees deliver critical services to our customers every day. We need to attract,
10 develop, and retain – over the long term – the employees that design, build, and operate
11 our plants, and the employees that maintain and improve the infrastructure necessary to
12 keep the lights on. Many craft positions require lengthy apprenticeships to learn the skills
13 needed to perform work independently and safely. The competencies needed for employees
14 in highly skilled positions – such as Line Technicians and engineers – take many years to
15 develop. If we were to lose such employees, the Company would incur additional costs to
16 train replacements for these positions, while experiencing additional risk with regard to
17 reliability issues. The expense incurred to hire and train new employees, and the loss of
18 productivity realized through high turnover rates, would negatively affect the Company's
19 ability to provide safe and reliable service at a reasonable cost.

20 This is also true for leadership positions. Duke Energy invests in developing highly
21 effective leaders who develop and carry out the organization's strategy and inspire
22 employees to work together to achieve results the right way. Many of our leaders possess
23 extensive industry experience, advanced degrees, and demonstrated examples of excellent

1 leadership, making recruitment and retention of such leaders critical to the success of the
2 Company, particularly in this changing energy landscape.

3
4 **Q. Why are LTI Plans a necessary component of executive compensation?**

5 A. LTI pay as a component of overall compensation for our executive ranks is market-
6 competitive and provides Duke Energy with an effective retention tool. Offering less than
7 competitive levels of compensation would put Duke Energy at risk of losing these valuable
8 leaders to other companies and potentially having to pay more to attract the same level of
9 leadership talent externally. In addition, the inclusion of LTI pay ensures that our
10 leadership is focused on the long term, and not overly focused on the short term. Finally,
11 incenting a focus on long-term sustainable company performance provides a benefit to
12 customers, as a financially strong company will have greater access to capital at a lower
13 cost, which in turn benefits customers through a lower cost structure.

14 **IV. DETAILED REVIEW OF DUKE ENERGY'S COMPENSATION COMPONENTS**

15 **Q. Please describe Duke Energy's base pay programs.**

16 A. For most non-union positions, Duke Energy utilizes base salary ranges consisting of a
17 minimum and maximum base salary for each job grade. We perform an annual review of
18 market data for both general industry positions and energy services positions and compare
19 that data to our total compensation package (base pay plus incentives). Using this market
20 data, salary ranges are reviewed annually to remain competitive. Market data is also
21 reviewed and used to determine annual wage increase recommendations.

1 To determine the compensation for executive officers on an annual basis, the
2 Compensation and People Development Committee of the Board of Directors of Duke
3 Energy (the “Committee”) reviews data from nationally recognized, independent executive
4 compensation consulting firms (Frederick W. Cook and WTW). The peer group of
5 companies used for these analyses consists of companies that represent the talent markets
6 from which Duke Energy competes to attract and retain executive employees.

7 Hourly represented employees, such as substation operators and line technicians,
8 are provided general wage increases negotiated with the labor unions that represent the
9 employees. Wage increases are just one component of union negotiations and must be
10 negotiated in the larger context of work-related topics, such as benefits, work rules and
11 overtime. These general increases are expressed as percentages of current base pay rates
12 and are consistent with market trends. Duke Energy bases its positions in these negotiations
13 on survey projections for market increases and also utilizes survey market data to ensure
14 pay is competitive to market. DEF has the following collective bargaining agreements in
15 place:

- 16 • Three-year collective bargaining agreement effective November 14, 2022, through
17 November 9, 2025, with the International Brotherhood of Electrical Workers System
18 Council U-8, representing I.B.E.W. Local Unions 433, 626, 682, 1412, and 1491
19 (“SCU-8 Main”).
- 20 • Three-year collective bargaining agreement effective March 22, 2021, through
21 March 17, 2024, with the International Brotherhood of Electrical Workers System
22 Council U-8, representing operations at the Hines Energy Complex (“Hines”).

- Three-year collective bargaining agreement effective March 6, 2023, through March 1, 2026, with the International Brotherhood of Electrical Workers System Council U-8, representing operations at the Citrus Combined Cycle Station (“Citrus”).

Q. You mentioned earlier that the incentive pay structure of Duke Energy’s compensation program has two components: STI and LTI. Please describe the STI component.

A. All employees are eligible for the STI component of incentive pay, which as I testified previously, puts “at risk” a portion of each employee’s compensation. The STI program is designed to promote a workforce culture that responds to pre-determined performance goals set both at the corporate level and at a “team” (for non-leadership employees) or individual (for leadership employees) level. How much of the STI component is actually paid out to an individual employee depends on the degree to which the performance goals are met. The STI plan document is set forth in Redacted Exhibit No. _(SC-3).

The process of determining an employee’s STI compensation begins with the setting of goals at the commencement of each year. The Committee approves the corporate level performance goals for the upcoming year, as well as individual goals for leadership employees, and executive leadership for each business unit sets the team goals for non-leadership employees.

The corporate goals are reflected in a “scorecard.” Each goal reflects the specific metrics required to meet the goal at three different levels – the Minimum, Target, and Maximum level. The payout associated with achievement of each goal is based upon where along the Minimum to Maximum continuum the corporate performance falls. A thorough

1 review is performed at the end of the year to determine the achievement level for each
2 performance goal.

3 The scorecard reproduced in Redacted Exhibit SC-4 is the 2023 scorecard for non-
4 leadership employees. It indicates that “team” goals are to be set and performance
5 measured against achievement. For leadership employees, individual goals replace the
6 “team” component, with performance also measured against achievement. Redacted
7 Exhibit SC-4 also details the weight given to achievement of each goal. An overview of
8 the STI metrics, weights, and payout opportunities is set forth in the table below:

TABLE 1: SUMMARY 2023 STI PLAN

Goals	Senior Management Committee (SMC) Weight	Leadership (Other than SMC) Weight	Non-Leadership Weight	Payout range
Earnings per Share	50%	50%	50%	0-200%
Operations & Maint.	12.5%	10%	5%	0-175%
Operational Excellence	12.5%	10%	10%	0-175%
Customer Satisfaction	12.5%	10%	10%	0-175%
Climate	12.5%	N/A	N/A	0-175%
Team	N/A	N/A	25%	0-175%
Individual	N/A	20%	N/A	0-175%

9 Members of the Senior Management Committee (“SMC”), comprised of Duke
10 energy Chair, President, and CEO Lynn Good and her direct reports, are subject to an
11 Individual Performance Modifier pursuant to which the Committee may exercise discretion
12 to increase or decrease the aggregate incentive payment of each SMC member. The
13 calculation of the incentive payments is based on the goals and weightings set forth above
14 by up to 25%, with reference to the SMC member’s achievement of their performance
15 objectives during the year.

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Q. Please provide additional detail regarding the metrics included in the STI program for 2023 and describe how these metrics benefit customers.

A. As the Scorecard attached hereto as Redacted Exhibit SC-4 reflects, corporate STI metrics are grouped into the categories of Financial Performance & Growth, Operational Excellence, and Customer Satisfaction. A detailed description of these categories is as follows:

Financial Performance & Growth: The Financial Performance & Growth measure consists of Earnings per Share and Operations & Maintenance (“O&M”) expense measures, each of which motivates employees to focus on financial discipline, efficient operations, and prudent use of resources, all which are vital to the health and stability of the organization.

(1) Earnings per Share (“EPS”): EPS is an important metric to evaluate the success of our performance and it is a very common practice, both within and outside of the utility industry, to use EPS as a primary goal in incentive programs. A consistently growing EPS benefits customers by allowing Duke Energy to access the capital markets on reasonable terms, which ultimately lowers the Company’s financing costs. Lower financing costs is particularly important in today’s environment as DEF continues to invest in the critical infrastructure needed to ensure the continued reliability and resiliency of the electric grid, while retiring and repurposing aging infrastructure. The Company’s investments are also aimed at transforming the customer experience by providing customers with more billing options, additional energy usage information, and new tools to help manage and

1 reduce energy costs. Additionally, employees directly impact EPS by finding
2 efficiencies and cost-cutting measures, which are ultimately passed on to customers
3 when new rates reflecting those savings are implemented.

4 (2) O&M Expense Control: O&M expenses include those costs necessary
5 to support daily operations, as well as operate and maintain the operating efficiency
6 and productive life of assets. Cost control is an integral part of any company's
7 success. The intent of this goal is for employees to focus on cost control on a day-
8 to-day basis, which will allow Duke Energy to incorporate these savings into
9 programs that will benefit customers.

10 Operational Excellence: This metric motivates employees to provide reliable and
11 safe products and services to customers and consists of two, equally weighted measures:
12 Reliability and Safety/Environmental. This objective emphasizes service reliability and
13 the mitigation of environmental risks associated with our operations.

14 (1) Reliability: The intent of this metric is to ensure that cost focus does not
15 sacrifice DEF's ability to provide reliable service, which is expected by all
16 customers. By including reliability in its annual incentive metrics, employees are
17 financially motivated to ensure that the Company provides reliable service to its
18 customers.

19 (2) Safety/Environmental: This metric incorporates safety and
20 environmental stewardship into day-to-day activities, thus making the safety of
21 employees, customers, and communities a priority. The safety and environmental
22 goal payout will be determined by averaging the year-end accomplishment of two
23 goals: (i) Total Incident Case Rate ("TICR"), which measures the number of

1 occupational injuries and illnesses per 100 employees, including staff-augmented
2 contractors; and (ii) Reportable Environmental Events, which are environmental
3 events resulting from operations that have an impact on the environment, require
4 notification (verbal/written/electronic) to a regulatory agency, or result in a
5 regulatory citation or other enforcement action by a regulatory agency.

6 Customer Satisfaction: Duke Energy’s incentive program also includes a Customer
7 Satisfaction goal, or CSAT, which measures the degree to which customers have a
8 favorable perception of an interaction, product, service, or of Duke Energy overall.
9 Achievement is based on Duke Energy’s Net Promoter Score, which is captured through
10 its proprietary survey. Duke Energy fosters a customer-centric culture, and the customer
11 satisfaction goal is intended to keep customers central to all that Duke Energy does across
12 the company, regardless of where its employees work.

13 Team/Individual: In addition to these corporate metrics, and as I previously
14 mentioned, the performance of non-leadership employees is assessed against pre-
15 determined “team” goals set by their business units. The team goals directly benefit
16 customers by tying employee compensation to reliability, outage frequency, time
17 required to restore service, lost-time accidents, customer satisfaction scores, O&M
18 expense levels, and capital expenditures. These goals are typically tactical and
19 operational goals that align the work of each team to DEF and Duke Energy’s overall
20 priorities. Team goal results establish a pool of dollars allocated at the discretion of
21 managers among employees based on their individual performance and contributions to
22 the team.

1 Executive and leadership employees are assigned individual goals. The individual
2 goals are intended to motivate the executive leadership members to advance strategic and
3 operational objectives and are generally aligned to the business in which they operate.
4 Superior performance relating to these team and individual goals directly benefits DEF
5 customers through safe and reliable service, customer service quality, and managing
6 costs to be as low as possible.

7
8 **Q. Please describe the LTI component of incentive pay.**

9 A. At a high level, Duke Energy's LTI programs provide equity-based compensation (i.e.,
10 stock awards) to executive and leadership-level employees. Compensation including stock
11 awards aligns these employees' interests with the long-term interests of Duke Energy and
12 its customers. The goal of the LTI programs is to attract and retain high-caliber leaders by
13 providing a competitive compensation package and to encourage leaders to make sound
14 business decisions from a long-term perspective. Stock awards are an important component
15 of a compensation package that is reviewed annually to ensure ongoing competitiveness.
16 Duke Energy's LTI opportunities generally vest over a period of three years, thus focusing
17 executives on long-term performance and enhancing retention.

18
19 **Q. What specific LTI programs are offered by Duke Energy?**

20 A. Duke Energy has two LTI programs. The Executive LTI Plan is reserved for the most senior
21 executives, including the SMC which includes the CEO and her direct reports, and
22 members of the Enterprise Leadership Team ("ELT"), which includes approximately 100
23 of the top leaders within Duke Energy below the level of the SMC. The second LTI

1 program, the Restricted Stock Unit (“RSU”) Program, is available to other strategic leaders
2 below the ELT level who are responsible for the most critical roles in each business group
3 (population generally ranges between 2-3% of the total Duke Energy employee
4 population). The Executive LTI Plan brochure is included as Redacted Exhibit SC-5 and
5 the Restricted Stock Award Summary is included as Exhibit SC-6.

6
7 **Q. Please describe the Executive LTI Plan.**

8 A. The Executive LTI Plan is designed to drive an ownership mindset for participants and
9 ensure accountability for making short- and long-term strategic decisions. For 2023,
10 participants in this program have 70% of their target LTI opportunity awarded as
11 performance shares and 30% of their target LTI opportunity awarded as restricted stock
12 units (“RSUs”).

13 Performance Shares: The performance shares granted in 2023 incorporate three
14 performance goals: (1) cumulative adjusted EPS, (2) Total Shareholder Return (“TSR”)
15 compared to companies in the Philadelphia Utility Index, and (3) Total Incident Case
16 Rate (“TICR”), which (as indicated above in my discussion of STI metrics), is a measure
17 of operational safety – a factor of great importance to Duke Energy and its customers.
18 Similar to the payout associated with meeting STI goals, payout of performance shares
19 occurs only if pre-defined performance metrics related to the goals are met, but in the
20 case of the performance share awards, the goals must be met over a three-year vesting
21 period. The multiyear vesting period ties the number of performance shares participants
22 ultimately earn to Duke Energy’s long-term performance, and this correlates to long-term

1 value. Executive LTI Plan participants must generally continue their employment with
2 Duke Energy for a three-year period to earn a payout.

3 RSUs: The other 30% of Executive LTI Plan participants' target LTI opportunity
4 is awarded as RSUs. Vesting of RSUs is solely tied to participants' continued
5 employment through vesting dates over a three-year vesting period and is not dependent
6 upon Duke Energy's financial performance. Participants who remain employed with
7 Duke Energy through a vesting date receive a share of Duke Energy common stock for
8 each vesting RSU.

9
10 **Q. Please describe the LTI Program available to leaders below the ELT level.**

11 A. Leaders below the ELT level participate in the RSU program and receive their LTI value
12 in the form of RSUs that vest equally over three years, thereby encouraging retention of
13 high-quality employees. The reward of these RSUs is purely aimed at continued
14 employment and is in no way tied to actual company performance. Participation in the RSU
15 plan is reserved for positions that meet at least one of the following criteria:

- 16 • Position has significant responsibility for a broad area or function or geographic
17 region;
- 18 • The employee leads major projects or groups with substantial enterprise or
19 business unit strategic or financial impact;
- 20 • The employee is in a role that has decision-making authority that impacts
21 company performance; and/or
- 22 • Position requires specialized expertise that is critical to business operations or
23 strategy development.

1 The RSU plan is an equally important component within the total compensation
2 package for eligible leadership positions (below executive level) and is critical to
3 maintaining market competitiveness and retaining key leadership talent. The base salary
4 for these employees is set at such a level, that, when factoring in the retention-driven
5 RSUs, the total package results in market-competitive compensation.
6

7 **Q. How do goals based on meeting EPS or TSR benefit customers?**

8 A. In order to achieve EPS goals, Duke Energy must have strong cost management, prudent
9 investments, and operational excellence, all of which benefit customers. Achieving
10 financial success benefits customers by reducing the cost of capital as Duke Energy,
11 including DEF, continues to conduct necessary maintenance of the system, invest in
12 modernization of the electric grid, and transform the customer experience by providing
13 customers with more billing options, additional energy usage information, and new tools
14 to help manage and reduce energy costs.
15

16 **Q. Why is it important to provide incentive opportunities as part of employees' total
17 compensation?**

18 A. STI opportunities are components of market-competitive total compensation that are
19 necessary to attract and retain qualified employees. Similarly, Duke Energy's LTI
20 programs are a necessary component of compensation packages for leaders. They allow
21 Duke Energy to attract and retain high-performing leaders who are capable of leading the
22 way to cleaner, smarter energy solutions that are valued by customers. Incentive pay is
23 similar to the other costs related to providing electric service – it is a necessary cost to

1 provide customers safe and reliable service. In the competitive market for talent, employees
2 consider the total rewards package, including base pay, incentive pay and benefits, as a key
3 determinant in deciding whether to work for a particular employer.

4
5 **V. COST RECOVERY OF INCENTIVE PAY EXPENSE**

6 **Q. What incentive pay expense does DEF propose to recover in this proceeding?**

7 A. DEF proposes to recover the incentive pay expenses at target levels that are directly
8 assigned or allocated to DEF. These expenses are prudent, benefit customers, and are a
9 component of market-competitive pay.

10
11 **Q. Please further explain DEF's proposal to recover incentive plan expense.**

12 A. As shown above in Table 1: Summary 2023 STI Plan, the Executive and Non-Executive
13 STI continues to include a weighting factor for achieving corporate EPS as well as
14 weightings for achieving other goals such as O&M and reliability targets. Reliability
15 targets provide a balance between the need to prudently manage costs and providing cost-
16 effective, reliable, and safe service to our customers. Other metrics include customer
17 satisfaction, safety, and environmental targets. Safety and environmental targets were
18 added to encourage positive behavior of employees in our day-to-day operations, and
19 customer satisfaction targets were added to keep customers central in all that we do. In
20 2022, Duke Energy added the climate goal for SMC members to focus on the growth of
21 our non-emitting generation and storage capacity that is not dependent on the retirement of
22 existing coal plants. As previously explained, all the various performance measures
23 included in the Company's incentive plans are designed to benefit customers. Accordingly,

DEF proposes to recover the entire amount of incentive compensation costs allocated to Florida, based upon achieving target goal levels, in its revenue requirement calculation.

Table 2

Incentive Plan	Incentive Plan Components	Weighting
STI – Non-Leadership	EPS O&M Reliability Safety/Environmental Customer Satisfaction Team Goals	50% 5% 5% 5% 10% 25%
STI – Leadership (other than SMC)	EPS O&M Reliability Safety/Environmental Customer Satisfaction Individual Goals	50% 10% 5% 5% 10% 20%
STI – Senior Management Committee (SMC)	EPS O&M Reliability Safety/Environmental Customer Satisfaction Climate	50% 12.5% 6.25% 6.25% 12.5% 12.5%
Non-Executive LTI	Restricted stock units	100%
Executive LTI	Restricted stock units Performance shares (70%) <ul style="list-style-type: none"> • Total Shareholder Return relative to companies in the Philadelphia Utility Index (25% of 70%) • Cumulative adjusted Earnings Per Share (50% of 70%) • Absolute Total Incident Case Rate (25% of 70%) 	30% 17.5% 35% 17.5%

Why does the Company’s proposal for incentive compensation assume reaching 100% of target achievement levels?

1 A. These are the accrued and budgeted achievement levels for the performance goals for the
2 STI and the LTI. The 100% target achievement level is used for the accruals and budget
3 because this is what the Company expects to achieve on average.
4

5 **Q. Why does the Company believe short-term and long-term incentive should be**
6 **recoverable?**

7 A. As I previously stated, incentive pay is similar to the other costs related to providing electric
8 service. It is a necessary cost to provide customers safe and reliable service. In the
9 competitive market for talent, employees consider the total rewards package, including
10 base pay, incentive pay and benefits, as a key determinant in deciding whether to join or
11 continue working for a particular employer.

12 Incentive pay is one element of Duke Energy's compensation programs, which
13 consist of a base pay component and incentive pay component, that together, provide a
14 market-competitive total compensation package for all employees. Competitive
15 compensation packages are necessary for the Company to attract and retain the skilled
16 workforce needed to provide clean and reliable energy to our customers. The annual STI
17 pay opportunity is an important component of overall total compensation that promotes a
18 corporate culture that is performance-oriented in order to provide the greatest benefit.

19 The LTI opportunities provided to the Company's leaders are a necessary
20 component of a market-competitive target level of total compensation for these particular
21 positions. This total compensation package allows the Company to attract and retain the
22 experienced leaders necessary to direct the efforts of its employees and make the best

1 strategic decisions on behalf of the Company and align their interests with the long-term
2 strategy of Duke Energy.

3
4 **VI. BENEFIT PLAN DESIGN**

5 **Q. What is Duke Energy's benefits philosophy and how does it tie into the overall total**
6 **rewards philosophy?**

7 A. At Duke Energy, we place a priority on attracting and retaining a high-performing
8 workforce. An important way we do this is by providing a comprehensive, competitive
9 total rewards package of pay and benefits that includes base pay, incentive pay
10 opportunities, and benefits. Benefits are the non-pay portion of an employee's total
11 rewards. Our benefit programs are designed so that Duke Energy can maintain a highly
12 trained, experienced workforce that can render excellent utility service. Retaining
13 employees is important for us because our business involves complex processes such that
14 employees must receive long-term training to perform their jobs safely and effectively.
15 Generally, benefits are provided through two vehicles: health and welfare benefit plans and
16 retirement plans. Health and welfare benefit plans include medical, dental, vision, life
17 insurance, and disability plans. Retirement plans include pension (limited to a
18 grandfathered population) and 401(k) plans. Our retirement plans are designed to enable
19 employees, through shared responsibility, to accumulate sufficient resources to be able to
20 transition into retirement at the appropriate time. An employee's ability to retire at the right
21 time increases opportunities for the workforce as a whole and also helps the utility manage
22 costs.

23

1 **Q. Please describe the employee benefit programs provided to Duke Energy employees.**

2 A. The benefit programs in which all eligible employees may participate include medical,
3 health savings account, dental, vision, flexible spending accounts, employee assistance
4 program, wellness, sick pay, short-term disability, long-term disability, life insurance,
5 accidental death and dismemberment and business travel accident insurance. Retirement
6 benefits include a pension plan limited to a grandfathered population and company
7 contributions and company matching contributions to employees' 401(k) plans to promote
8 the shared responsibility between the Company and employees for accumulating retirement
9 resources.

10
11 **Q. Please describe Duke Energy's post-employment healthcare benefits provided to**
12 **employees.**

13 A. Duke Energy is the result of a series of many acquisitions and mergers and has worked
14 hard at integration to minimize differences among legacy company employee groups. This
15 includes post-employment benefits available to employees when they retire. Newly hired
16 employees will be eligible to enroll in company-sponsored pre-65 retiree medical, dental
17 and vision benefits at retirement on an unsubsidized basis by paying the full cost of
18 coverage. Additionally, Duke Energy provides retirees access to a retiree exchange
19 program for assistance with exploring options for coverage available on the individual
20 market as an alternative to Duke Energy-sponsored retiree coverage. They will also have
21 the option to convert or port their active life insurance to an individual policy at retirement
22 by paying the required premiums. Active employees who were part of a closed group and
23 eligible for a retiree healthcare subsidy towards the cost of Duke Energy-sponsored retiree

1 health care coverage generally were transitioned to a common approach in the form of a
2 pre-65 Health Reimbursement Account benefit.

3
4 **Q. Is it common practice in the electric industry to provide post-employment benefits?**

5 A. As Duke Energy periodically reviews healthcare trends, we see that 28% of general
6 industry and 44% of energy & utility industry companies provide financial support for pre-
7 65 coverage for future retirees. We also see that 21% of general industry and 38% of utility
8 industry companies provide financial support for post-65 coverage for future retirees. As
9 Duke Energy's financial support of retiree healthcare has lessened over the years, we have
10 recognized that this is an area of concern for many employees. To address this concern, we
11 encourage employees who are enrolled in a High Deductible Health Plan to contribute to a
12 Health Savings Account and receive company matching contributions to save for their
13 future retiree healthcare costs.

14
15 **Q. Does DEF have a pension plan?**

16 A. Duke Energy closed its pension plans to non-union new hires in 2014 and has since
17 negotiated closing pension participation for new hires for all union groups. New hires
18 participate in the Enhanced 401(k) Program and receive a Duke Energy retirement
19 contribution to the 401(k) in lieu of pension participation and have an opportunity to
20 receive company matching contributions if they choose to contribute to the 401(k). Some
21 FL union employees represented by IBEW SCU-8 participate in a company-sponsored
22 pension plan. For union employees hired before January 1, 2003, benefits are provided
23 through a Final Average Pay formula. For union employees hired on or after January 1,

1 2003, but prior to January 1, 2018, benefits are provided through a Cash Balance formula.
2 Union employees hired or rehired on or after January 1, 2018, are not eligible to participate
3 in the defined benefit plan but instead participate in the Enhanced 401(k) Program and have
4 an opportunity to receive company matching contributions if they choose to contribute to
5 the 401(k).

6 Pension eligible employees have generally experienced reductions in future
7 pension benefit accruals with transitions from a final average pay formula to a cash balance
8 formula. As early as 1997, Duke Energy, through mandatory conversions, choice windows
9 and design change for new hires, moved non-union and many union pension eligible
10 employees to a cash balance design. Moving the existing employees allowed the Company
11 to reduce future pension accrual, and reduce risks associated with longevity and
12 investments (since most participants take lump sum distributions). To offset the impact of
13 these pension reductions, Duke Energy increased its matching opportunity in the 401(k)
14 plan. The emphasis throughout this process was to create a competitive retirement benefit,
15 which provided as much comparability as possible across all legacy organizations and new
16 hires, while aligning to the market.

17 Employees represented by IBEW SCU-8 who participated in the Pension Cash
18 Balance Program had a one-time opportunity in 2020 to voluntarily move to the Enhanced
19 401(k) Program effective January 1, 2021. Employees who moved received an employer
20 contribution of 4% of base rate of pay each pay period in addition to current employer
21 match of up to 6% on employee contributions. These employees no longer receive pay
22 credits to their pension cash balance accounts.

1 **Q. In your opinion are Duke Energy’s pension plans sufficiently funded?**

2 A. Yes.

3
4 **Q. How did you come to this determination?**

5 A. Annually Duke Energy engages Willis Towers Watson to prepare an Actuarial Valuation
6 Report of Duke Energy’s pension plans. The most recent DEF report is attached at Redacted
7 Exhibit No._(SC-7). This report provides information for year-end financial reporting, net
8 periodic benefit cost, and the year-end funded status of the qualified pension plans for DEF.
9 The funded percentage of the qualified pension plans for DEF by December 31, 2023, under
10 US GAAP accounting was 123%. The qualified pension plans had a projected benefit
11 obligation (“PBO”) of \$1,069 million and a market value of assets of \$1,316 million. Duke
12 Energy is committed to funding its qualified pension plans as necessary to meet all future
13 required contributions.

14
15 **Q. How does Duke Energy determine that the employee benefit programs that it offers
16 are reasonable and necessary?**

17 A. Duke Energy routinely examines its benefits to confirm how we compare with national
18 trends among comparable employers, and we consider the most effective ways to serve our
19 workforce who reside in over 25 states. Because we are a company with a history of mergers
20 and acquisitions, we try to ensure consistency and fairness among legacy company
21 employee groups as well as cost-effectiveness. We benchmark our programs against other
22 large employers from both the utility industry and general industry so that we are
23 positioned to attract and retain qualified employees needed to support our customers. Duke

1 Energy leverages its consultants, vendor partners, and nationally recognized surveys to
2 evaluate the competitiveness of its benefits and costs. Examples of surveys include Willis
3 Towers Watson's Financial Benchmarks Survey, Best Practices in Health Care Survey,
4 Emerging Trends in Healthcare Survey and Benefits Data Source. These surveys indicate
5 that Duke Energy's benefit plans and employee contributions are in line with its utility
6 industry and general industry peers, making them reasonable and necessary to compete
7 with other employers for qualified talent. We routinely determine if any changes should be
8 made based on Duke Energy's reviews of the competitiveness and reasonableness of its
9 benefit programs and employee costs as compared to its peers.

10
11 **Q. Has Duke Energy taken steps to control the cost of employee benefits?**

12 A. Yes. On an ongoing basis, Duke Energy reviews its employee benefits and costs. The
13 Company strives to keep costs reasonable, while continuing to provide benefits that are
14 sufficient to attract and retain employees. Employees pay a portion or all of the cost for
15 many of their benefits, so we strive to manage costs not just for the Company, but for
16 employees as well. Periodically, benefit plan changes or other steps are taken to control
17 costs. The following are some examples of steps taken in recent years to control costs.

18 Retirement Plans

19 Duke Energy has taken significant steps to both control costs and reduce the risk
20 associated with its retirement plans. Duke Energy closed its pension plans to non-union new
21 hires in 2014 and has since negotiated closing pension participation for new hires for all
22 union groups. New hires receive a Duke Energy retirement contribution to the 401(k) in lieu
23 of pension participation and have an opportunity to receive company matching contributions

1 if they choose to contribute to the 401(k). Pension eligible employees have generally
2 experienced reductions in future pension benefit accruals with transitions from a final
3 average pay formula to a cash balance formula.

4 Health & Welfare Plans

5 Duke Energy undertakes a number of ongoing steps to manage costs associated
6 with health and welfare plans. For example, Duke Energy performs an annual market check
7 on the pharmacy benefit manager contract to ensure competitive contract terms and pricing.
8 These have resulted in savings each year for employees and Duke Energy. The Company
9 also regularly evaluates the need to bid out Health & Welfare vendor contracts through a
10 request for proposal (“RFP”) process so that contracts have competitive fees, discounts,
11 and guarantees. In addition, Duke Energy annually reviews its Health & Welfare plan
12 design and costs to determine the need for changes to deductibles, copays, co-insurance,
13 out-of-pocket limits, and cost sharing strategies to align with market trends.

14 Moreover, an ongoing dependent verification process has been in place since 2010,
15 which requires proof of eligibility to ensure that only eligible dependents are enrolled in
16 medical, dental, vision and life insurance coverage. The Company also annually assesses
17 utilization management programs and processes to help eliminate unnecessary or
18 inappropriate treatments and medications, including pre-certifications, prior
19 authorizations, step therapy, safety and monitoring for fraud and abuse (*e.g.*, opioids), and
20 specialty medication management.

21 Other cost control measures include reducing active company-paid life and AD&D
22 insurance from two times annual base pay to one-time annual base pay, and generally
23 eliminating Company-paid retiree life insurance for future retirees. Duke Energy also

1 discontinued sponsorship of post-65 medical plan options and implemented a Medicare
2 exchange solution for all retirees and their dependents. This provides retirees with a choice
3 of individual policies to supplement Medicare.

4
5 **VII. CONCLUSION**

6 **Q. Does this conclude your pre-filed direct testimony?**

7 A. Yes.

List of MFRs Sponsored or Co-Sponsored

MFR	TITLE
C-6	Budgeted Versus Actual Operating Income and Expenses
C-8	Detail of Changes in Expenses
C-9	Five Year Analysis - Change in Cost
C-12	Administrative Expenses
C-17	Pension Cost
C-35	Payroll & Fringe Benefit Increase Compared to CPI
C-36	Non-Fuel Operation and Maintenance Expense Compared to CPI



Duke Energy 2023 Survey Library

SURVEY CODE	SURVEY NAME
AON-EMT23	Aon Energy Marketing and Trading
AON-REN23	Aon Renewable Energy
EMPS-WORKS23	Empsight The Works
FOU-ENV23	Foushee Environmental, Health & Safety
FOU-SEC23	Foushee Security & Compliance
GBS-AVI23	Gallagher Aviation
MER-HRM23	Mercer Benchmark Corporate Services and Human Resources
MER-ENG23	Mercer Benchmark Engineering & Design
MER-EXE23	Mercer Benchmark Executive
MER-FAL23	Mercer Benchmark Finance, Accounting & Legal
MER-ITS23	Mercer Benchmark Information Technology
MER-LSC23	Mercer Benchmark Logistics & Supply Chain
MER-SMC23	Mercer Benchmark Sales, Mktg & Comm
MER-CON23	Mercer Contact Center & Customer Service
PM-CYB23	Pearl Meyer Cyber Security, AI, Data Science – All Firms Only
RAD-GCD-JUL- DUKE23	Radford Global Compensation Database - July (Duke Energy)
TW-EMT23	WTW Energy Marketing and Trading
TW-EXE-ES-DUKE23	WTW Energy Services Executive (Duke Energy)
TW-MMPS-ES-DUKE23	WTW Energy Services Mid-Mgmt & Prof (Duke Energy)
TW-EXE-DUKE23	WTW General Industry Executive (Duke Energy)
TW-MMPS-DUKE23	WTW General Industry Mid-Mgmt, Prof & Support (Duke Energy)
TW-AGA23	WTW American Gas Association, 2023
WMG-UTIL23	Western Management Group Utilities

Docket No. 20240025-EI
Duke Energy Florida
Witness: Shannon Caldwell
Exhibit No. SC-3
Pages 1 through 23

**EXHIBIT NO. SC-3
PAGES 1 THROUGH 23
REDACTED IN THEIR ENTIRETY**

Docket No. 20240025-EI
Duke Energy Florida
Witness: Shannon Caldwell
Exhibit No. SC-4
Page 1 of 1

EXHIBIT NO. SC-4
PAGE 1 OF 1
REDACTED IN ITS ENTIRETY

Docket No. 20240025-EI
Duke Energy Florida
Witness: Shannon Caldwell
Exhibit No. SC-5
Pages 1 through 11

**EXHIBIT NO. SC-5
PAGES 1 THROUGH 11
REDACTED IN THEIR ENTIRETY**

2023 Restricted Stock Unit (RSU) Award Summary (granted 2/22/2023)

As a participant in Duke Energy's long-term incentive (LTI) program, you have been awarded a restricted stock unit (RSU) grant which was approved **February 22, 2023** (*i.e.*, the grant date).

Your grant value was calculated by multiplying your annual rate of base pay that was effective on the grant date by your LTI opportunity. The number of RSUs awarded to you was determined by dividing your grant value by **\$97.47**, the closing price of Duke Energy common stock on the grant date. These RSUs will vest over a three-year period, as described below.

Accepting Your RSU Grant

It will be necessary for you to accept your RSU award and agree to its terms via the Fidelity NetBenefits site. Upon accepting your award, we encourage you to read your award agreement carefully as well as the 2015 Long-Term Incentive Plan (LTIP) Summary and its Prospectus. In the event of any conflict between the information in this summary and the LTIP or the award agreement, the terms of the LTIP/award agreement will govern. You may also wish to discuss this information with your personal financial advisor.

Accessing Your Stock Award

Record keeping for your stock award is provided by Fidelity Stock Plan Services, LLC. You will be able to access your stock plan information online at www.netbenefits.com or by calling a Fidelity Stock Plan Services representative at **800-376-4015**.

Vesting

Your RSUs vest, while your employment continues, according to an installment-based vesting schedule (or as otherwise described in the *Restricted Stock Unit Award Summary Chart* on page 3). Under that schedule, one-third of your RSUs will vest on each of the first three anniversaries of the grant date (*i.e.*, 2/22/2024, 2/22/2025 and 2/22/2026).

Vested RSUs are paid in whole shares of Duke Energy common stock shortly after they vest and will be reduced by the applicable tax withholding, as described below.

Dividend Equivalents

You will receive a cash payment equal to the quarterly cash dividend per share declared and paid on Duke Energy common stock for each unvested RSU awarded to you. These cash payments will be included in your paycheck. Dividend equivalent payments are treated as ordinary income, and, therefore, are subject to tax withholding. Upon vesting and payment, or forfeiture of the unit, future dividend equivalent payments will end.

Voting Rights

Prior to vesting, your RSUs do not give you shareholder voting rights because no actual shares of common stock are issued to you until your RSUs vest and are paid.



Ability to Sell

You may not sell your unvested RSUs, but you may sell the shares of Duke Energy common stock that you receive upon vesting, subject to Duke Energy's Insider Trading Policy.

Taxes

Under current U.S. tax rules, you will incur taxable income when your vested RSUs are paid, based on the fair market value of the common stock delivered to you. This income will be included on your Duke Energy Form W-2. Federal income tax and any applicable state, local, Social Security and Medicare tax withholding is required upon the vesting of your award. Your taxes will be paid by the share reduction method which means you will receive the number of shares that have vested less the shares withheld to pay your tax withholding. Shortly after vesting, you will receive your net shares in your Fidelity brokerage account.

EXAMPLE: Tax Withholding Payment Through a Reduction of Shares

You vest in 100 RSUs and are notified that the tax withholding amount due is \$3,400. The shares used to pay your tax withholding are valued at fair market value (let's assume \$100). The amount of Duke Energy common stock you receive would be reduced by 34 shares ($\$3,400/\$100 = 34$ shares). You would receive 66 shares in your Fidelity Brokerage account, the 100 shares that vested less the 34 shares withheld to pay your tax withholding.

Keep in mind that your income will be taxed at applicable withholding rates, and you may owe additional income taxes depending on your personal financial situation. You may wish to consult with your tax advisor to determine whether you should make additional estimated tax payments.

Resources

If you have specific questions about your RSU award, you may contact:

Brian Callahan
Executive Rewards
859-801-5975
brian.callahan@duke-energy.com

If you have general questions regarding restricted stock units, you may contact:

Fidelity Stock Plan Services, LLC
800-376-4015
www.netbenefits.fidelity.com

Restricted Stock Unit Award Summary Chart

The following chart summarizes the terms of your 2023 RSU award.

Provision	Restricted Stock Units (RSUs)
Grant Date	February 22, 2023
Vesting's <ul style="list-style-type: none"> • While employment continues • When employment with Duke Energy and its affiliated companies terminates <ul style="list-style-type: none"> - After attaining the age of 55 with 10 years of service or on account of termination by the company without cause or termination as the result of divestiture - On account of death/disability - Termination other than described above 	<p>Three-year installment vesting — 1/3 of units vest each year on anniversary of grant date (i.e., 2/22/2024, 2/22/2025 and 2/22/2026)</p> <p>Units in award are reduced to reflect actual service during the installment vesting period* and become immediately vested to the extent not previously vested</p> <p>Units not previously or immediately vested are forfeited</p> <p>Unvested units become immediately vested</p> <p>Vesting ends — units not previously vested are forfeited</p>
Dividend Equivalents	Quarterly payments on unvested units that have not been forfeited are paid when common stock cash dividends are declared and paid

*Calculated based on number of days of actual service from the grant date divided by total number of days in the period from the grant date to the third anniversary of the grant date.

This document contains selected highlights of Duke Energy's employee compensation plans. If any statement herein, or any other communication, conflicts with the applicable plan documents and/or award agreements, the plan documents and/or award agreements will govern. Duke Energy retains the right to amend, modify or terminate its compensation plans in any respect and at any time, and neither its benefits plans, nor your plan participation, will be considered a contract for future employment.

Docket No. 20240025-EI
Duke Energy Florida
Witness: Shannon Caldwell
Exhibit No. SC-7
Pages 1 through 62

**EXHIBIT NO. SC-7
PAGES 1 THROUGH 62
REDACTED IN THEIR ENTIRETY**