

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |   |                        |
|--|---|------------------------|
| In the Matter of the Application of      | ) |                        |
| Duke Energy Ohio, Inc., for an           | ) | Case No. 21-887-EL-AIR |
| Increase in Electric Distribution Rates. | ) |                        |
| <br>                                     |   |                        |
| In the Matter of the Application of      | ) |                        |
| Duke Energy Ohio, Inc., for Tariff       | ) | Case No. 21-888-EL-ATA |
| Approval.                                | ) |                        |
| <br>                                     |   |                        |
| In the Matter of the Application of      | ) |                        |
| Duke Energy Ohio, Inc., for Approval     | ) | Case No. 21-889-EL-AAM |
| to Change Accounting Methods.            | ) |                        |

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**DIRECT TESTIMONY OF**

**JACOB J. STEWART**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

**PUBLIC VERSION**

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|              |  |
|--------------|--|
| _____        | Management policies, practices, and organization |
| _____        | Operating income                                 |
| _____        | Rate base  |
| _____        | Allocations                                      |
| _____        | Rate of return                                   |
| _____        | Rates and tariffs                                |
| <u>  X  </u> | Other: Human Resources                           |

October 15, 2021

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### **ATTACHMENTS:**

Attachment JJS-1 – Duke Energy 2021 Compensation Survey E-Library

Attachment JJS-2 - Studies

- (a) WorldatWork 2020/2021 Salary Budget Survey
- (b) The Conference Board 2020/2021 Salary Increase Budget Survey

CONFIDENTIAL Attachment JJS-3 - Duke Energy Incentive Plans

- (a) Duke Energy 2021 Short-Term Incentive Plan and Union Employee Incentive Plan
- (b) Duke Energy 2021 Restricted Stock Award Plan
- (c) Duke Energy 2021 Executive Long-Term Incentive Plan

**I.     INTRODUCTION AND PURPOSE**

1     **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2     A.     My name is Jacob J. Stewart. My business address is currently 550 South Tryon  
3             Street, Charlotte, North Carolina 28202. Effective November 1, 2021, that address  
4             will change to 526 South Church Street, Charlotte, North Carolina 28202.

5     **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6     A.     I am employed by Duke Energy Business Services LLC (DEBS) as Director  
7             Health and Wellness. DEBS provides various administrative and other services to  
8             Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other affiliated  
9             companies of Duke Energy Corporation (Duke Energy).

10    **Q.     PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**  
11       **EXPERIENCE.**

12    A.     I graduated from the University of Illinois with a Bachelor of Science degree in  
13             Recreation, Sport and Tourism Management and a Master's Degree in Human  
14             Resources and Industrial Relations. I also hold a Certified Compensation  
15             Professional (CCP) certification.

16             I have 14 years of human resources experience, primarily working with  
17             benefits and compensation programs. I joined Duke Energy in 2013 and have held  
18             various positions in Human Resources. Most recently I was Director  
19             Compensation with responsibility for all broad-based compensation including  
20             compensation design and strategy, management of key vendor relationships, and  
21             compensation administration and compliance. In addition, I have served in key  
22             roles on several projects, including the redesign of Duke Energy's performance

1 management and annual pay programs, the implementation of the Workday  
2 HRMS system, and the integration of Progress Energy and Piedmont Natural Gas  
3 employees into the Duke Energy compensation and benefits programs.

4 **Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR HEALTH AND**  
5 **WELLNESS.**

6 A. I am responsible for the strategy, design, implementation, compliance and  
7 communication of all health and wellness programs for Duke Energy, including  
8 all of Duke Energy's affiliated regulated and non-regulated companies, including  
9 Duke Energy Ohio. Areas of responsibility include benefit plan design and  
10 strategy, management of key vendor relationships, administration, and  
11 compliance.

12 **Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC UTILITIES**  
13 **COMMISSION OF OHIO?**

14 A. No.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
16 **PROCEEDING?**

17 A. The purpose of my testimony is to show that the benefits and compensation  
18 opportunities provided to employees are reasonable, customary, prudent, and  
19 market competitive. My testimony illustrates that the benefit programs and  
20 compensation opportunities provided to Duke Energy, including Duke Energy  
21 Ohio's employees, are critical for attracting, engaging, retaining, and directing the  
22 efforts of employees with the skills and experience necessary to efficiently and  
23 effectively provide electric services to Duke Energy Ohio's customers.

## **II. EMPLOYMENT CHARACTERISTICS**

1   **Q.   PLEASE DESCRIBE THE GENERAL COMPOSITION OF THE**  
2       **EMPLOYEE POPULATIONS.**

3   A.   As of July 31, 2021, Duke Energy has a total of 27,470 employees. Duke Energy  
4       Ohio has 584 employees, comprising 99 exempt employees and 485 non-exempt  
5       employees, of whom 484 are union employees. DEBS has 7,309 employees,  
6       comprising 5,610 exempt employees and 1,699 non-exempt employees, of whom  
7       822 are union employees.

8   **Q.   WHAT TYPES OF SPECIAL SKILLS OR KNOWLEDGE ARE**  
9       **REQUIRED IN ORDER TO OPERATE AN ELECTRIC DISTRIBUTION**  
10      **UTILITY SUCH AS DUKE ENERGY OHIO?**

11  A.   The operation and maintenance of electric distribution infrastructure requires  
12       specialized technical skills. Employees must have the requisite knowledge and  
13       technical skills to plan, design, construct, operate, and maintain the distribution  
14       infrastructure in a manner that provides safe and reliable service. The operation  
15       and maintenance of a field office and a customer call center requires a detailed  
16       knowledge of all aspects of customer service. Field office and call center  
17       employees must understand the characteristics of the electric delivery service  
18       provided by Duke Energy Ohio, the metering, billing, and collection processes  
19       and various other customer service matters. At the corporate level, highly skilled  
20       managers, engineers, accountants, computer hardware and software experts,  
21       computer programmers, and other highly trained professionals are needed to

1 support the employees who are directly responsible for procuring and delivering  
2 electricity to Duke Energy Ohio's customers.

3 **Q. HOW IMPORTANT IS THE RECRUITMENT AND RETENTION OF**  
4 **SUCH EMPLOYEES TO DUKE ENERGY OHIO'S SUCCESS?**

5 A. The recruitment and retention of such employees is critical to Duke Energy  
6 Ohio's success. The skills needed for employees to render safe, reliable, and high-  
7 quality utility service take several years to develop. For example, line technicians  
8 are highly skilled employees who require experience and knowledge that is  
9 acquired over several years. If Duke Energy Ohio were to lose such employees,  
10 we would incur additional costs to train replacements for these positions.  
11 Consequently, the fact that the Company strives to be an "employer of choice"  
12 that attracts qualified employees and retains such employees, benefits customers  
13 by providing a more highly skilled work force that provides safe and reliable  
14 service to customers at a reasonable cost.

15 **Q. WHAT FACTORS AFFECT THE RECRUITMENT AND RETENTION OF**  
16 **SUCH EMPLOYEES?**

17 A. The compensation, benefits, and career development opportunities provided by  
18 Duke Energy directly affect its ability to attract and retain qualified employees.  
19 Industry and market conditions also impact the ability to recruit and retain  
20 employees.

21 **Q. HAS THE COMPANY EXPERIENCED ANY COMPETITION IN**  
22 **RETAINING HIGHLY TRAINED AND SKILLED ELECTRIC**  
23 **WORKERS IN RECENT YEARS?**

1 A. Yes, Duke Energy does experience challenges in retaining the highly trained and  
2 technical workforce across its enterprise and, therefore, strives to provide a  
3 competitive compensation and benefits package and has a robust training  
4 program. However, Duke Energy faces competition from local and national  
5 electric companies and contractors that target their recruiting efforts at employees  
6 trained by Duke Energy. It would be imprudent for Duke Energy not to take  
7 measures to prevent potential losses of employees. Maintaining a competitive  
8 total rewards package is instrumental in meeting Duke Energy's and Duke Energy  
9 Ohio's shared goals of providing safe, adequate, reliable, and reasonably priced  
10 utility service.

11 **Q. WHERE DOES DUKE ENERGY OBTAIN APPLICANTS FOR VACANT**  
12 **POSITIONS?**

13 A. We draw applicants from various geographic areas, depending on the job we need  
14 to fill. As a general rule, the more highly skilled the job position being filled, the  
15 broader the scope of the recruitment efforts. Executives are generally recruited on  
16 a national level; exempt employees locally and regionally; and non-exempt  
17 employees locally. We also employ applicants drawn from other utilities and from  
18 diverse employment backgrounds in other industries.

### **III. COMPENSATION PHILOSOPHY**

19 **Q. PLEASE DESCRIBE DUKE ENERGY'S BASIC COMPENSATION**  
20 **PHILOSOPHY.**

21 A. The Compensation and People Development Committee of the Board of Directors  
22 of Duke Energy establishes and reviews Duke Energy's overall compensation

1 philosophy, confirms that its policies and philosophy do not encourage excessive  
2 or inappropriate risk-taking by employees, reviews and approves the salaries and  
3 other compensation of certain employees, including all executive officers of  
4 Duke Energy, approves equity grants, and reviews the effectiveness of  
5 compensation programs. Duke Energy's compensation philosophy has three  
6 major parts.

7 First, Duke Energy wants its compensation to be market-based, meaning it  
8 is competitive with the external market of similar companies, allowing it to  
9 remain attractive against competition and retain qualified employees. Duke  
10 Energy's compensation programs are targeted to deliver total compensation that is  
11 competitive with that provided by its peers. Duke Energy employs a  
12 compensation strategy that combines base pay and variable incentive  
13 opportunities for all levels of positions. This approach fosters efficiency, safety,  
14 and a focus on the customer by motivating employees to lower costs and generate  
15 efficiencies that benefit customers, all while providing employee compensation  
16 opportunities at reasonable market-competitive rates that enable Duke Energy to  
17 attract and retain the expertise needed to efficiently and effectively provide its  
18 electric service to customers.

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



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

5 Duke Energy must be able to attract, retain and motivate employees. One  
6 of the keys to providing a desirable workplace where employees want to work is  
7 to provide competitive pay and benefit programs.

8 **Q. DESCRIBE DUKE ENERGY'S COMPENSATION PHILOSOPHY FOR**  
9 **EXECUTIVES.**

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

21 **Q. WHY MUST DUKE ENERGY PROVIDE EMPLOYEES WITH A**  
22 **MARKET-COMPETITIVE TOTAL COMPENSATION PACKAGE?**

1 A. It is critical that Duke Energy provide a market-competitive total compensation  
2 opportunity to efficiently and effectively attract and retain a skilled and  
3 experienced workforce. Attracting and retaining such a workforce is reasonable  
4 and necessary for the safe and efficient provision of service to customers and the  
5 operation of most aspects of the Company's business.

6 **Q. WHAT WOULD BE THE IMPLICATIONS TO CUSTOMERS IF**  
7 **COMPENSATION LEVELS FELL BELOW MARKET-COMPETITIVE**  
8 **LEVELS?**

9 A. Allowing compensation to fall below market-competitive levels would have  
10 substantial negative implications to the cost of service to customers. Many craft  
11 positions require lengthy apprenticeships to learn the skills needed to perform  
12 work independently and safely. The expense incurred to hire and train new  
13 employees and the loss of productivity realized through high turnover rates would  
14 negatively affect the ability of Duke Energy Ohio to provide safe and reliable  
15 service at a reasonable cost. This is also true for leadership positions. Duke  
16 Energy invests in developing highly effective leaders who carry out the  
17 organization's strategy and inspire employees to work together to achieve results  
18 the right way. Paying less than competitive levels of compensation would put  
19 Duke Energy at risk of losing these valuable leaders to other companies and  
20 potentially having to pay more to attract the same level of leadership talent  
21 externally. There is a financial cost to turnover due to the negative implications  
22 from lost productivity, hiring, training, and job vacancies that can put a significant

1 level of productivity and financial value at risk. In addition, turnover could  
2 negatively impact the service level provided to customers.

3 **Q. WHAT ARE THE COMPONENTS OF DUKE ENERGY'S**  
4 **COMPENSATION PROGRAMS?**

5 A. To achieve the objective of providing competitive pay, the components of Duke  
6 Energy's Total Rewards compensation program include: (1) the establishment of  
7 a fair market value for all jobs; (2) annual pay increases to recognize individual  
8 performance; (3) an annual short-term cash incentive (STI) that rewards eligible  
9 employees with cash incentives when pre-established goals are achieved; (4)  
10 long-term incentive (LTI) opportunities to attract and retain high-performing  
11 leaders; and (5) recognition awards given when employees make significant  
12 contributions to business operations due to exceptional personal initiative,  
13 dedication, perseverance, or a uniquely effective approach to work.

14 **Q. PLEASE DESCRIBE IN MORE DETAIL HOW DUKE ENERGY**  
15 **STRUCTURES ITS COMPENSATION PROGRAMS.**

16 A. Duke Energy's compensation programs consist of a base pay component and  
17 incentive pay components that together provide a market-competitive total  
18 compensation package for all employees. The base pay component is a set  
19 amount, reviewed by management at least annually, and established at a level  
20 that: (1) provides competitive compensation based on the nature and  
21 responsibilities of the employee's position; and (2) is fair relative to the pay for  
22 other similarly situated positions in the organization. The short-term incentive pay  
23 component is variable based on performance and is at risk to the employees.

1 Incentive pay is linked to the accomplishment of specific corporate goals and  
2 business unit or individual goals established in advance. The purpose of incentive  
3 pay is: (1) to encourage employees to perform at a high level in order to  
4 accomplish specific objectives intended to ensure safe, reliable, efficient, and  
5 economical utility service to customers; (2) to ensure their business unit's and  
6 Duke Energy's overall success; and (3) to constitute a component of a  
7 compensation package that is competitive with the market. The LTI plans round  
8 out a competitive total compensation package for leaders. The goal of having a  
9 LTI component as part of certain employees' total compensation package is to  
10 attract and retain high-caliber leaders and align their interests with the long-term  
11 strategy of Duke Energy, including Duke Energy Ohio, through equity-based  
12 compensation. The designs of the short-term and long-term incentive programs  
13 are also reviewed annually.

#### **IV. REASONABLENESS OF COMPENSATION PROGRAMS**

14 **Q. DO YOU HAVE AN OPINION AS TO WHETHER DUKE ENERGY'S**  
15 **EMPLOYEE COMPENSATION PROGRAMS ARE REASONABLE AND**  
16 **NECESSARY TO ATTRACT, RETAIN, AND MOTIVATE THE**  
17 **QUALIFIED EMPLOYEES NEEDED TO PROVIDE SAFE, RELIABLE,**  
18 **EFFICIENT, AND ECONOMICAL SERVICE TO DUKE ENERGY**  
19 **OHIO'S ELECTRIC CUSTOMERS?**

20 **A.** Yes. In my opinion, Duke Energy's base pay, short-term, and long-term incentive  
21 compensation programs are market competitive, reasonable, and necessary to  
22 attract, retain, and motivate qualified employees that are needed to provide safe,

1 reliable, efficient, and economical electric service to Duke Energy Ohio's retail  
2 customers.

**V. BASE PAY PROGRAMS**

3 **Q. PLEASE DESCRIBE DUKE ENERGY'S BASE PAY PROGRAMS.**

4 A. Every employee receives base pay in the form of semi-monthly earnings (for  
5 exempt employees) or bi-weekly wages (for non-exempt and union employees).

6 **Q. HOW DOES DUKE ENERGY KNOW ITS COMPENSATION IS**  
7 **MARKET COMPETITIVE?**

8 A. Duke Energy employs a market-based compensation strategy by using annual  
9 compensation surveys to establish salary ranges and ensure jobs are paid  
10 competitively in base and in total direct compensation (base + incentives) as  
11 compared to jobs at companies that are similar to Duke Energy in size and  
12 revenue. Duke Energy participates in a variety of third-party salary surveys on an  
13 annual basis and data from these surveys is analyzed to determine overall  
14 competitiveness of pay for jobs throughout the Duke Energy. A complete list of  
15 the salary surveys Duke Energy is currently participating in is reflected in  
16 Attachment JJS-1.

17 **Q. HOW ARE BASE SALARIES DETERMINED AND HOW DO THEY**  
18 **COMPARE WITH MARKET TRENDS?**

19 A. In order to stay competitive, Duke Energy performs an annual review of market  
20 data for both general industry positions and energy services positions and  
21 compares that data to its total compensation package. Using this market data,  
22 competitive base salary ranges are established for non-represented positions,

which consist of a minimum and maximum base salary for each job grade. These salary ranges are adjusted annually to remain competitive using market information found in studies conducted by third party consultants. Market data is also reviewed and used to determine annual wage increase recommendations.

Currently, Duke Energy is forecasting a 2022 merit budget, set for exempt and non-exempt non-union non-craft employees of 3 percent. We are monitoring market discussions that some companies may set budgets above 3 percent. As the 2022 merit budget will not be finalized until later in the year, we will continue to monitor the market to make an informed, market-based decision. The chart below depicts the annual market adjustments reported in the annual WorldatWork Salary Budget Survey, U.S. Salary Increase Budgets study as compared to Duke Energy's historical overall wage increase budgets for the corresponding years.

| Salary Increase History  |            |             |           |             |           |             |            |             |
|--|------------|-------------|-----------|-------------|-----------|-------------|------------|-------------|
| Year   | All Groups |             | Executive |             | Exempt    |             | Non-Exempt |             |
|  | Industry*  | Duke Energy | Industry* | Duke Energy | Industry* | Duke Energy | Industry*  | Duke Energy |
| 2017   | 3%         | 3%          | 3%        | 3%          | 3%        | 3%          | 3%         | 3%          |
| 2018   | 3%         | 3%          | 3%        | 3%          | 3%        | 3%          | 3%         | 3%          |
| 2019   | 3%         | 3%          | 3%        | 3%          | 3%        | 3%          | 3%         | 3%          |
| 2020   | 3%         | 3%          | 3%        | 3%          | 3%        | 3%          | 3%         | 3%          |
| 2021   | 2.7% - 3%  | 2%          | 2.7% - 3% | 2%          | 2.7% - 3% | 2%          | 2.6% - 3%  | 2%          |
| *WorldatWork Salary Budget Survey, U.S. Salary Increase Budget |            |             |           |             |           |             |            |             |

The 2021 merit budget for Duke Energy exempt employees, including executives, and non-union non-exempt employees was 2 percent. The full 2020/2021 WorldatWork Salary Budget Survey, as well as another example of an external study conducted by third-party consultants that Duke Energy utilizes to determine the appropriate annual increase each year, can be found in Attachments JJS-2(a) and (b).

1           It should be noted that employees' individual increases may vary relative  
2           to the budget to allow for individual differentiators based on performance and  
3           current pay levels relative to the market. The increase awarded to each employee,  
4           if any, is based on a combination of factors, including his/her individual  
5           performance rating, his/her performance relative to his/her peers, the position of  
6           his/her salary within the salary range for his/her job and the size of the merit  
7           budget. The Compensation and People Development Committee of the Board of  
8           Directors of Duke Energy reviews data from nationally recognized, independent  
9           executive compensation consulting firms (Frederick W. Cook and Willis Towers  
10          Watson) to determine the compensation for Duke Energy's executive officers on  
11          an annual basis. The peer group of companies used for these analyses consists of  
12          companies that represent the talent markets from which Duke Energy competes to  
13          attract and retain executive employees.

14   **Q.   FOR REPRESENTED POSITIONS, HOW ARE BASE INCREASES**  
15       **DETERMINED AND HOW DO THEY COMPARE WITH MARKET**  
16       **TRENDS?**

17   A.   Hourly represented employees, such as line technicians and meter readers, are  
18       provided general wage increases negotiated with the labor unions that represent  
19       the employees. Wage increases are just one component of union negotiations and  
20       must be negotiated on in the larger context of work-related topics, such as  
21       benefits, work rules and overtime. These general increases are expressed as  
22       percentages of current base pay rates and are consistent with market trends. Duke  
23       Energy bases its positions in these negotiations on survey projections for market

1 increases and also utilize survey market data to ensure pay is competitive to the  
2 market.

3 Duke Energy Ohio and the Utility Workers Union of America (UWUA)  
4 Local No. 600 entered into a four-year collective bargaining agreement (CBA) on  
5 April 1, 2019, that expires on March 31, 2023. The following is the wage increase  
6 schedule under the current CBA. Each wage increase is effective at the beginning  
7 of the pay period that includes April 1:

| Wage Increase Schedule |      |
|------------------------|------|
| Year                   | UWUA |
| 3/25/2019              | 2.5% |
| 3/23/2020              | 2.5% |
| 3/22/2021              | 2.5% |
| 3/31/2022              | 2.5% |

8 Duke Energy Ohio and the International Brotherhood of Electrical  
9 Workers Local No. 1347 entered into a five-year CBA on April 1, 2017, that  
10 expires on March 31, 2022. The following is a wage increase schedule under the  
11 current CBA. Each wage increase is effective on April 1:

| Wage Increase Schedule |           |
|------------------------|-----------|
| Year                   | IBEW 1347 |
| 4/1/2017               | 2.5%      |
| 4/1/2018               | 2.5%      |
| 4/1/2019               | 2.5%      |
| 4/1/2020               | 3.0%      |
| 4/1/2021               | 3.0%      |

## **VI. INCENTIVE PAY PROGRAMS**

12 **Q. PLEASE IDENTIFY DUKE ENERGY'S INCENTIVE PAY PROGRAMS.**

13 A. The major incentive pay programs are: (1) STI; (2) Duke Energy Union Employee  
14 Incentive Plan (UEIP); and (3) LTI. Plan documents memorializing these



1 programs can be found in Confidential Attachments JJS-3(a) through (c). The STI  
2 and UEIP plan descriptions are included in Confidential Attachment JJS-3(a). The  
3 two LTI plans, Restricted Stock Units (RSU) and Executive LTI Plan brochure  
4 are included as Confidential Attachments JJS-3(b) and JJS-3(c), respectively.

5 **Q. DESCRIBE THE STI PLAN DESIGN FOR 2021.**

6 A. For 2021, the STI goals, weightings and payout opportunities are reflected in the  
7 table below:

**TABLE 1: SUMMARY 2021 STI PLAN**

|                           | Leadership<br>Weight | Non-<br>Leadership<br>Weight | Payout range |
|---------------------------|----------------------|------------------------------|--------------|
| EPS                       | 50%                  | 50%                          | 0-200%       |
| O&M Expense               | 10%                  | 5%                           | 0-175%       |
| Operational<br>Excellence | 10%                  | 10%                          | 0-175%       |
| CSAT                      | 10%                  | 10%                          | 0-175%       |
| Team                      | N/A                  | 25%                          | 0-175%       |
| Individual                | 20%                  | N/A                          | 0-175%       |

8 **Q. PLEASE DESCRIBE THE CURRENT STI PLAN AND WHY THE**  
9 **INCENTIVE PLAN COSTS SHOULD BE RECOVERABLE.**

10 A. The annual cash incentive plan is available to all employees at Duke Energy;  
11 however, some represented employees, including those in Duke Energy Ohio,  
12 participate in the UEIP sub-plan per their union agreement, which will be  
13 described in later testimony. The STI program promotes a corporate culture that is  
14 performance-oriented by setting forth goals and providing direction for the  
15 workforce to focus on Duke Energy Ohio's customers. At the beginning of each  
16 calendar year, corporate, business unit and individual performance goals are

1 established for each annual incentive program, and a thorough review is  
2 performed at the end of the calendar year to determine the achievement levels for  
3 each performance goal. The Compensation and People Development Committee  
4 of the Board of Directors of Duke Energy approves the corporate performance  
5 goals as well as the executive officers' individual goals at the beginning of each  
6 calendar year and certifies the payout level achieved for such goals at the end of  
7 the calendar year. All non-union employees are subject to the following annual  
8 corporate metrics:

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

14 (1) Earnings per Share (EPS): The EPS measure focuses on  
15 financial discipline, efficient operations and prudent use of  
16 resources, all of which are vital to the health and stability of the  
17 organization. It is a very common practice both within and outside  
18 of the utility industry to use EPS as a primary goal in incentive  
19 programs. A growing EPS benefits customer by reducing the cost  
20 of capital as Duke Energy Ohio continues to invest in the  
21 necessary maintenance of the distribution system and transforms  
22 the customer experience by providing customers with more billing

1 options, additional energy usage information and new tools to help  
2 manage and reduce energy costs.

3 Finally, the EPS measure has a “circuit breaker” level that  
4 is set between the minimum and target EPS performance levels and  
5 may reduce any incentive during periods when Duke Energy  
6 cannot afford it. If actual EPS is greater than the EPS circuit  
7 breaker, all measures will be paid out based on the scorecard. If  
8 actual EPS is less than or equal to the EPS circuit breaker, payouts  
9 for all measures will be reduced.

10 (2) O&M Expense Control: Cost control is an integral part  
11 of any company’s success. The intent of this goal is for employees  
12 to focus on cost control on a day-to-day basis, which will allow  
13 Duke Energy to incorporate these savings into programs that will  
14 benefit customers.

15 Operational Excellence: This metric is broken into two equally weighted  
16 measures, Reliability and Safety/Environmental, each of which motivates  
17 employees to strive to provide reliable and safe products and services to  
18 customers.

19 (1) Reliability: To ensure that cost focus does not sacrifice  
20 Duke Energy Ohio’s ability to provide reliable service, reliability  
21 measures are also included in the STI program. All customers  
22 expect reliable service from Duke Energy Ohio. By including  
23 reliability in its annual incentive metrics, employees are provided

1 extra motivation to ensure that the Company provides reliable  
2 service to its customers.

3 (2) Safety/Environmental: This metric incorporates safety  
4 and environmental stewardship into day-to-day activities, thus  
5 making the safety of employees, customers, and communities a  
6 priority. Safety is of utmost importance and is not only encouraged  
7 but continuously reinforced through all levels of Duke Energy,  
8 including through incentive pay opportunities. Safety refers to the  
9 health and safety of everyone who works at Duke Energy, as well  
10 as its communities and the environment. The safety and  
11 environmental goal payout will be determined by averaging the  
12 year-end accomplishment of two goals: (1) Total Incident Case  
13 Rate, which measures the number of occupational injuries and  
14 illnesses per 100 employees, including staff-augmented  
15 contractors; and (2) Reportable Environmental Events, which are  
16 environmental events that require notification  
17 (verbal/written/electronic) to a regulatory agency, or that result in a  
18 regulatory citation or other enforcement action by a regulatory  
19 agency.

20 Customer Satisfaction: The incentive program also includes a Customer  
21 Satisfaction goal, or CSAT, which measures the degree to which customers have a  
22 favorable perception of an interaction, product, service or of Duke Energy overall.  
23 Achievement is based on Duke Energy's Net Promoter Score (NPS), which is

1 captured through its proprietary survey. Duke Energy fosters a customer-centric  
2 culture and the customer satisfaction goal is intended to keep customers central to  
3 all that Duke Energy does across the company, regardless of where its employees  
4 work.

5 Team/Individual: Business unit (or “team”) goals are typically lower-  
6 level tactical and operational goals that increase line-of-sight to employees.  
7 Almost all employees have a component of their incentive assigned to team goals  
8 while executives have individual goals. Team goal results establish a pool of  
9 dollars allocated at the discretion of managers among employees based on their  
10 individual performance and contributions to the team. The team goals directly  
11 benefit customers by tying employee compensation to reliability, outage  
12 frequency, time required to restore service, lost-time accidents, customer  
13 satisfaction scores, O&M expense levels, and capital expenditures. The individual  
14 goals are intended to motivate the executive leadership members to advance  
15 strategic and operational objectives and are generally aligned to the business in  
16 which they operate. Superior performance relating to these team and individual  
17 goals directly benefits Duke Energy Ohio customers through safe and reliable  
18 service, customer service quality, and low energy costs.

19 **Q. PLEASE DESCRIBE THE UEIP.**

20 A. The UEIP is available to union employees of Duke Energy Ohio and its affiliated  
21 companies. Employees participating in the UEIP may not also participate in the  
22 STI program offered to the general employee population described in the previous  
23 question. The purpose of the UEIP is to attract, retain and motivate employees,

1 enhance teamwork and high levels of achievement, and to facilitate the  
2 accomplishment of specific corporate and business unit goals. These goals benefit  
3 the customer and the incentive plan is a necessary component of the total  
4 compensation package for union employees that attracts and retains the critical  
5 skills necessary to provide safe, efficient, and reliable service to customers. Union  
6 employees include many of the back-office personnel, including administrative  
7 and clerical employees, as well as customer care associates, meter readers, and  
8 employees who construct and maintain the Company's electric distribution  
9 system. All are functions that are critical to reliable customer service.

10 The UEIP is a short-term incentive opportunity that allows union  
11 employees to receive cash payments if the Company attains certain corporate  
12 performance goals and/or if their group attains certain operational performance  
13 goals during a calendar year. The UEIP award levels consist of a percentage of  
14 the employee's base and overtime earnings and is based upon the achievement of  
15 corporate and business unit goals, such as financial results, safety, and customer  
16 satisfaction. The award levels for employees participating in the UEIP may also  
17 vary based upon the employee's participation in the various retirement programs.  
18 All union employees who participate in a cash balance feature under a Duke  
19 Energy sponsored pension plan or who do not participate in a Duke Energy  
20 sponsored pension plan are eligible for up to a 5 percent maximum annual  
21 incentive payment. Employees who participate in a final average pay feature  
22 under a Duke Energy sponsored pension plan are eligible for up to a 2 percent  
23 maximum annual incentive payment. Additionally, regardless of which retirement

1 program they participate in, represented employees are eligible for a safety adder  
2 equal to 5 percent of their incentive payouts if there is no significant operational  
3 event.

4 **Q. WHY IS IT IMPORTANT TO PROVIDE SHORT-TERM INCENTIVE**  
5 **OPPORTUNITIES AS A PART OF ALL EMPLOYEES' TOTAL**  
6 **COMPENSATION?**

7 A. Short-term incentive opportunities are a component of a market-competitive total  
8 compensation offering necessary to attract and retain qualified employees. If the  
9 Duke Energy did not provide incentive opportunities to employees, the same  
10 target value of incentive compensation would need to be added to base pay in  
11 order to maintain market-competitive compensation. Put another way, whether it  
12 is through base pay or a combination of base pay and incentives, Duke Energy  
13 must keep its overall compensation package competitive in order to attract and  
14 retain a competent workforce. Incentive pay is similar to the other costs related to  
15 providing electric service. It is a necessary cost to provide customers safe and  
16 reliable service. In the competitive market for talent, employees consider the total  
17 rewards package, including base pay, incentive pay and benefits, as a key  
18 determinant in deciding whether to work for a particular employer.

19 **Q. HOW DO CUSTOMERS BENEFIT FROM THE SHORT-TERM**  
20 **INCENTIVE PLAN GOALS?**

21 A. As previously mentioned, the annual short-term incentive pay opportunity that  
22 employees have as part of their total compensation promotes a corporate culture  
23 that is performance-oriented in order to provide the greatest benefit to the

1 customer. Having a portion of employees' total compensation "at risk" allows the  
2 employer to tie specific performance measures to employees' pay, and focuses  
3 their efforts on performing the right work, the right way. Annual incentive goals  
4 are communicated to managers and employees and reported throughout the year;  
5 therefore, high performance becomes part of the culture and employees are  
6 motivated to exhibit the behaviors required to meet the goals. In addition, the  
7 annual incentive pay opportunities provide the ability to raise the bar on  
8 performance expectations from year-to-year. By motivating employees to excel at  
9 such goals as customer satisfaction, safety, and reliability, Duke Energy is able to  
10 deliver the highest value at a reasonable cost. This also allows Duke Energy to  
11 share its success with the employees who make that success possible.

12 In all that is done at Duke Energy, employees are encouraged to put the  
13 customer first, to think about the customer in every decision, and to think about  
14 the impact each action – and inaction – has on the customer.

15 **Q. ISN'T IT TRUE THAT GOALS BASED ON MEETING EPS ARE**  
16 **REALLY DESIGNED TO HELP SHAREHOLDERS INSTEAD OF**  
17 **CUSTOMERS?**

18 **A.** No. In order to achieve earnings per share goals, Duke Energy must have strong  
19 cost management, prudent investments, and operational excellence, all of which  
20 benefit customers. Achieving financial success benefits customers by reducing  
21 the cost of capital as Duke Energy continues to invest in aging infrastructure,  
22 conducts necessary maintenance of the system and transforms the customer



1 experience by providing customers with more billing options, additional energy  
2 usage information, and new tools to help manage and reduce energy costs.

3 **Q. PLEASE DESCRIBE THE LTI PLAN.**

4 A. Duke Energy's LTI programs provide equity-based compensation to executive  
5 and leadership-level employees in a manner that aligns their interests with the  
6 long-term interests of Duke Energy, including Duke Energy Ohio. The goal of the  
7 LTI programs is to attract and retain high-caliber leaders by providing a  
8 competitive compensation package and to encourage leaders to make sound  
9 business decisions from a long-term perspective. Stock awards are an important  
10 component — but not the only component — of a total rewards package that is  
11 reviewed annually to ensure ongoing competitiveness. Duke Energy's LTI  
12 opportunities generally vest over a period of three years, focusing executives on  
13 long-term performance and enhancing retention.

14 Duke Energy has two LTI programs. One is an Executive LTI program,  
15 called the Executive Incentive Plan (EIP), which is reserved for members of the  
16 Executive Leadership Team (ELT) and Senior Management Committee (SMC) to  
17 drive an ownership mindset and ensure accountability for making short- and long-  
18 term strategic decisions. For 2021, participants in this program have 70 percent of  
19 their target LTI opportunity awarded as performance shares and 30 percent of  
20 their target LTI opportunity awarded as restricted stock units (RSUs).

21 Performance Shares: The performance shares granted in 2021 incorporate  
22 three performance goals based on cumulative adjusted EPS, Total Shareholder  
23 Return (TSR) compared to companies in the Philadelphia Utility Index, and Total

1 Incident Case Rate (TICR). The goals correlate to long-term value and are set at  
2 levels that we believe are reasonable in light of past performance and market  
3 conditions. EIP participants must generally continue their employment with Duke  
4 Energy for a three-year period to earn a payout and the number of performance  
5 shares that participants ultimately earn is tied to Duke Energy's long-term  
6 performance.

7 RSUs: The other 30 percent of EIP participants' target LTI opportunity is  
8 awarded as RSUs. Vesting of RSUs is solely tied to the participants' continued  
9 employment through vesting dates over a three-year vesting period and is not  
10 dependent upon the financial performance of the Companies. Participants who  
11 remain employed with the Companies through a vesting date receive a share of  
12 Duke Energy common stock for each vesting RSU.

13 The second LTI program, the Restricted Stock Unit Program, is available  
14 to other strategic leaders below the ELT level who are responsible for the most  
15 critical roles/responsibilities in each business group (population generally ranges  
16 between 2-3 percent of the total Duke Energy employee population). These  
17 employees participate in the RSU program and receive their LTI value in the form  
18 of RSUs that vest equally over three years, thereby encouraging retention of high-  
19 quality employees. The reward of these RSUs is purely aimed at continuing  
20 employment and is in no way tied to actual company performance. Participation  
21 in the RSU plan is reserved for positions that meet at least one of the following  
22 criteria:

- 1                   • Position has significant responsibility for a broad area or function
- 2                   or geographic region;
- 3                   • The employee leads major projects or groups with substantial
- 4                   enterprise or business unit strategic or financial impact;
- 5                   • The employee is in a role that has decision-making authority that
- 6                   impacts Company performance; and
- 7                   • Position requires specialized expertise that is critical to business
- 8                   operations or strategy development.

9                   The RSU plan is an equally important component within the total  
10                  compensation package for eligible leadership positions (below executive level)  
11                  and is critical to maintaining market competitiveness and retaining key leadership  
12                  talent. These employees' base salary is set at such a level that, when factoring in  
13                  the retention-driven RSUs, the total package results in a market-competitive  
14                  package.

15   **Q.   WHY IS IT IMPORTANT TO PROVIDE LONG-TERM INCENTIVE**  
16           **OPPORTUNITIES AS PART OF CERTAIN EMPLOYEES' TOTAL**  
17           **COMPENSATION?**

18   A.   As mentioned above, LTI programs are necessary components of Duke Energy's  
19           compensation package. They allow Duke Energy to attract and retain high-  
20           performing leaders who carry out its vision of leading the way to cleaner, smarter  
21           energy solutions that are valued by customers. The EPS and TSR measures  
22           associated with the performance shares granted as part of the long-term incentive  
23           plan tie a substantial portion of compensation for executive employees to both

1 internal and external measures of the Companies' long-term financial  
2 performance. This encourages eligible employees to reduce expense, operate  
3 efficiently, and conserve financial resources, which directly benefits customers by  
4 keeping rates low. The TICR measure emphasizes the importance of the safety of  
5 employees.

6 As with annual cash incentive compensation, the long-term incentive  
7 opportunities provided to leaders are a necessary component of a market-  
8 competitive target level of total compensation for these positions. If the  
9 Companies did not incorporate LTI as a part of the total compensation for these  
10 leadership positions, it would require higher base salaries in order to provide the  
11 same level of market-based total compensation. If an increase to base pay was not  
12 made in place of the LTI component and the overall level of total compensation  
13 was reduced, the Companies would not be able to effectively attract or retain the  
14 experienced leaders necessary to direct the efforts of its employees and make the  
15 best strategic decisions on behalf of the Duke Energy.

## **VII. COST RECOVERY OF INCENTIVE PAY EXPENSE**

16 **Q. WHAT INCENTIVE PAY EXPENSE DOES DUKE ENERGY OHIO**  
17 **PROPOSE TO RECOVER IN THIS PROCEEDING?**

18 **A.** Duke Energy Ohio proposes to recover incentive pay expenses at target levels that  
19 are directly assigned or allocated to Duke Energy Ohio as it believes these  
20 expenses are prudent, benefit customers, and are a component of market-  
21 competitive pay.

1   **Q.   WHY DOES THE COMPANY’S PROPOSAL FOR INCENTIVE**  
2       **COMPENSATION ASSUME REACHING 100 PERCENT OF TARGET**  
3       **ACHIEVEMENT LEVELS?**

4   A.   These are the accrued and budgeted achievement levels for the performance goals  
5       for the STI, UEIP, and the LTI. The 100 percent target achievement level is used  
6       for the accruals and budget because this is what the Company expects to achieve  
7       on average over time.

8   **Q.   PLEASE FURTHER EXPLAIN DUKE ENERGY OHIO’S PROPOSAL**  
9       **FOR RECOVERY OF INCENTIVE PLAN EXPENSE.**

10 A.   As shown above in Table 1: Summary 2021 STI plan, the Leadership and Non-  
11 Leadership STI continues to include a weighting factor for achieving corporate  
12 EPS. In 2009, Duke Energy added a weighting for achieving other goals such as  
13 O&M savings and reliability targets that continue today. Adding reliability targets  
14 provides a balance between the need to prudently manage costs and the need to  
15 provide cost-effective, reliable, and safe service to customers. In 2015, Duke  
16 Energy added customer satisfaction, safety, and environmental targets. Safety and  
17 environmental targets were added to encourage positive behavior of employees in  
18 day-to-day operations, and customer satisfaction targets were added to keep  
19 customers central in all that Duke Energy does. As previously explained, these  
20 various performance measures included in the incentive plans are designed to  
21 benefit customers. Accordingly, Duke Energy Ohio proposes to recover the  
22 following amount of incentive compensation costs, based upon achieving target  
23 goal levels, in its revenue requirement calculation.

**TABLE 2: SUMMARY OF INCENTIVE PLAN COMPONENTS**

| <b>Incentive Plan</b>       | <b>Incentive Plan Components</b>   | <b>Weighting</b> | <b>Proposed Percentage Recoverable</b> |
|-----------------------------|--|------------------|--|
| <b>STI – Non-Leadership</b> | EPS  | 50%              | 50%                                    |
|                             | O&M  | 5%               | 5%                                     |
|                             | Reliability  | 5%               | 5%                                     |
|                             | Safety/Environmental   | 5%               | 5%                                     |
|                             | Customer Satisfaction  | 10%              | 10%                                    |
|                             | Team   | 25%              | 25%                                    |
| <b>STI - Leadership</b>     | EPS  | 50%              | 50%                                    |
|                             | O&M  | 10%              | 10%                                    |
|                             | Reliability  | 5%               | 5%                                     |
|                             | Safety/Environmental   | 5%               | 5%                                     |
|                             | Customer Satisfaction  | 10%              | 10%                                    |
|                             | Individual Goals   | 20%              | 20%                                    |
| <b>Non-Executive LTI</b>    | Restricted stock units   | 100%             | 100%                                   |
| <b>Executive LTI</b>        | Restricted stock units   | 30%              | 30%                                    |
|                             | Performance shares (70%)   |                  |  |
|                             | • Total Shareholder Return (TSR) relative to that of the companies in the Philadelphia Utility Index | 17.5%            | 17.5%                                  |
|                             | • Cumulative adjusted Earnings Per Share (EPS)   | 35%              | 35%                                    |
|                             | • Total Incident Case Rate (TICR)  | 17.5%            | 17.5%                                  |
| <b>UEIP</b>                 | Various by union - based on EPS, safety, customer satisfaction, etc.                                 | 100%             | 100%                                   |

## **VIII. BENEFIT PLAN DESIGN**

- 1    **Q.     WHAT IS DUKE ENERGY’S BENEFITS PHILOSOPHY AND HOW**
- 2           **DOES IT TIE INTO THE OVERALL TOTAL REWARDS PHILOSOPHY?**

**JACOB J. STEWART DIRECT**

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

19 **Q. PLEASE DESCRIBE DUKE ENERGY'S EMPLOYEE BENEFIT**  
20 **PROGRAMS.**

21 A. The benefit programs in which all eligible employees may participate include  
22 medical, health savings account, dental, vision, flexible spending accounts,  
23 employee assistance program, wellness, vacation time, sick pay, short-term

1 disability, long-term disability (LTD), life insurance, accidental death and  
2 dismemberment, and business travel accident insurance. Retirement benefits  
3 include company contributions and company matching contributions to  
4 employees' 401(k) plans to promote the shared responsibility between the  
5 company and employees for accumulating retirement resources.

6 **Q. HOW DOES DUKE ENERGY DETERMINE THAT THE EMPLOYEE**  
7 **BENEFIT PROGRAMS THAT IT OFFERS ARE REASONABLE AND**  
8 **NECESSARY?**

9 A. Duke Energy routinely examines its benefits to confirm how it compares with  
10 national trends among comparable employers, and it considers the most effective  
11 ways to serve its diverse workforce who reside in over 25 states. Because Duke  
12 Energy is a company with a history of mergers and acquisitions, it tries to ensure  
13 consistency and fairness among legacy company employee groups as well as  
14 overall cost-effectiveness. Duke Energy benchmarks its programs against other  
15 large employers from both the utility industry and general industry so that it is  
16 positioned to attract and retain qualified employees needed to support customers.  
17 Duke Energy leverages its consultants, vendor partners and nationally recognized  
18 surveys to evaluate the competitiveness of its benefits and costs. Examples of  
19 surveys include Willis Towers Watson's Financial Benchmarks Survey, Best  
20 Practices in Health Care Survey, Emerging Trends in Healthcare Survey, and  
21 Benefits Data Source. These surveys indicate that Duke Energy's benefit plans  
22 and employee contributions are in line with its utility industry and general  
23 industry peers, making them reasonable and necessary in order to compete with



1 other employers for qualified talent. Based on Duke Energy's reviews of the  
2 competitiveness and reasonableness of its benefit programs and employee costs, it  
3 routinely determines if any changes should be made.

**IX. BENEFIT COST MANAGEMENT CONTROLS**

4 **Q. HAS DUKE ENERGY TAKEN STEPS TO CONTROL THE COST OF**  
5 **EMPLOYEE BENEFITS?**

6 A. Yes. On an ongoing basis, Duke Energy reviews its employee benefits and costs in  
7 an effort to keep costs reasonable, while continuing to provide benefits that are  
8 sufficient to attract and retain employees. Employees pay a portion or all of the  
9 cost for many of their benefits, so we strive to manage costs not just for the  
10 Companies, but for employees as well. Periodically, benefit plan changes are  
11 made, and other steps are taken to control costs.

**X. REASONABLENESS OF BENEFITS PROGRAM**

12 **Q. DO YOU HAVE AN OPINION REGARDING THE REASONABLENESS**  
13 **AND NECESSITY OF DUKE ENERGY'S EMPLOYEE BENEFITS**  
14 **PROGRAMS TO ATTRACT, RETAIN AND MOTIVATE QUALIFIED**  
15 **EMPLOYEES TO PROVIDE SAFE, RELIABLE, EFFICIENT, AND**  
16 **ECONOMICAL SERVICE TO DUKE ENERGY OHIO'S ELECTRIC**  
17 **CUSTOMERS?**

18 A. Yes. In my opinion, the employee benefits programs are market competitive,  
19 reasonable, and necessary to attract, retain, and motivate the qualified employees  
20 needed to provide safe, reliable, effective, efficient, and economical electric  
21 service to Duke Energy Ohio's retail customers.

**XI. CONCLUSION**

1   **Q.   WERE ATTACHMENTS JJS-1 THROUGH JJS-3 PREPARED BY YOU**  
2           **OR AT YOUR DIRECTION?**

3   **A.   Yes.**

4   **Q.   ARE ATTACHMENTS JJS-1 THROUGH JJS-3 TRUE AND ACCURATE**  
5           **COPIES OF THE DOCUMENTS THEY PURPORT TO REPRESENT?**

6   **A.   Yes.**

7   **Q.   DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

8   **A.   Yes.**  
9

You understand that PayScale, Inc. ("PayScale") relies on its customers to provide it accurate information about what survey data they are entitled to use and access. PayScale depends on this information to load or provision such survey data in a customer's MarketPay account.

Accordingly, by submitting this form on behalf of the organization you represent ("Customer"), you agree, certify, and represent and warrant to PayScale that: (1) Customer has purchased a right or license to the survey data identified herein; (2) Customer has all necessary rights and permissions to direct and grant to PayScale (a) the right to access, transmit, store, display, process, and otherwise provision to Customer through its MarketPay account the survey data identified herein, and (b) the right to access, use, or process such survey data to provide Customer the services described in the relevant agreement between Customer and PayScale ("Agreement") or as instructed by Customer.

To verify the foregoing, Customer consents to PayScale contacting applicable survey publishers. If a survey publisher notifies PayScale that Customer has not purchased its survey data or if PayScale learns that any information herein is inaccurate: (1) PayScale may immediately remove the survey data at issue from Customer's MarketPay account; and (2) Customer hereby releases PayScale from any liability, and assumes full responsibility and all liability, that may arise from the use of, or access to, such survey data at issue by Customer or by PayScale on Customer's behalf in accordance with the Agreement or as instructed by Customer. These terms are in addition to any other terms agreed upon by the parties in the Agreement. Customer represents and warrants to PayScale that the individual submitting this form has the right and authority to act on Customer's behalf and bind Customer to these terms.

Signed: Beth Garner

Name (printed): Beth Garner

## 2021 Surveys Purchased

| Survey Code       | Survey Name  |
|-------------------|--|
| AON-EMT21         | Aon Energy Marketing and Trading, 2021   |
| AON-IEHRA21       | Aon IEHRA Energy Industry, 2021  |
| EMPS-WORKS21      | Empsight The Works, 2021   |
| FOU-ENV21         | Foushee Environmental, Health & Safety, 2021                                     |
| FOU-SEC21         | Foushee Security & Compliance, 2021  |
| GBS-AVI21         | Gallagher Aviation, 2021   |
| MER-MDC21         | Mercer Data Connector, 2021  |
| PM-CYB21          | Pearl Meyer Cyber Security, AI, Data Science Salary Survey, 2021                 |
| RGCD-EXM21        | Radford Global Compensation Database - Executive & Senior Management [EXM], 2021 |
| RGCD-INF21        | Radford Global Compensation Database - Infrastructure [INF], 2021                |
| RGCD-ENE21        | Radford Global Compensation Database - Energy [ENE], 2021                        |
| TW-EMT21          | WTW Energy Marketing and Trading, 2021   |
| TW-EXE-ES-DUKE21  | WTW Energy Services Executive (Duke Energy), 2021                                |
| TW-MMPS-ES-DUKE21 | WTW Energy Services Mid-Mgmt & Prof (Duke Energy), 2021                          |
| TW-EXE-DUKE21     | WTW General Industry Executive (Duke Energy), 2021                               |
| TW-MMPS-DUKE21    | WTW General Industry Mid-Mgmt, Prof & Support (Duke Energy), 2021                |

## 2021 Survey Additions

| Survey Code | Survey Name  |
|-------------|--|
| FOU-ENV21   | Foushee Environmental, Health & Safety, 2021                                     |
| MER-MDC21   | Mercer Data Connector, 2021  |
| RGCD-EXM21  | Radford Global Compensation Database - Executive & Senior Management [EXM], 2021 |
| RGCD-INF21  | Radford Global Compensation Database - Infrastructure [INF], 2021                |
| RGCD-ENE21  | Radford Global Compensation Database - Energy [ENE], 2021                        |

# 2020-21United States WorldatWork Salary Budget Survey

Industry: All Industries; Number of Employees: All Sizes; Revenue: All Sizes

## Mean/Average Values

NHN - Nonexempt Hourly Nonunion, NS - Nonexempt Salaried  
ES - Exempt Salaried, OE - Officers & Executives

" - (-) " entries, if any, indicate that there were no responses for the given criteria  
" \* (\*) " entries, if any, indicate that there were fewer than 5 responses for the given criteria



| Salary Budget Increases |     | 2020 Actual Increases        |                       |                       |                       |                                 |                                   | 2021 Projected Increases     |                       |                       |                       |                                 |
|-------------------------|-----|------------------------------|-----------------------|-----------------------|-----------------------|---------------------------------|-----------------------------------|------------------------------|-----------------------|-----------------------|-----------------------|---------------------------------|
|                         |     | General Increases/COLA % (n) | Merit Increases % (n) | Other Increases % (n) | Total Increases % (n) | Months Between Increases #m (n) | % of EE Receiving Increases % (n) | General Increases/COLA % (n) | Merit Increases % (n) | Other Increases % (n) | Total Increases % (n) | Months Between Increases #m (n) |
| National                | NHN | 1.5 (277)                    | 2.6 (1246)            | 0.8 (379)             | 2.8 (1377)            | 12.5 (1327)                     | 83.3 (1155)                       | 1.7 (214)                    | 2.6 (1130)            | 0.9 (322)             | 2.9 (1252)            | 12.9 (1336)                     |
|                         | NS  | 1.5 (97)                     | 2.6 (620)             | 0.9 (188)             | 2.9 (665)             | 12.7 (630)                      | 84.6 (552)                        | 1.3 (74)                     | 2.7 (568)             | 0.8 (160)             | 2.9 (606)             | 13.0 (640)                      |
|                         | ES  | 1.4 (276)                    | 2.6 (1541)            | 0.9 (474)             | 2.9 (1654)            | 12.6 (1584)                     | 84.3 (1384)                       | 1.4 (205)                    | 2.7 (1399)            | 0.9 (399)             | 2.9 (1503)            | 12.9 (1599)                     |
|                         | OE  | 1.4 (236)                    | 2.6 (1377)            | 0.8 (398)             | 2.9 (1483)            | 12.9 (1467)                     | 82.7 (1225)                       | 1.4 (180)                    | 2.7 (1274)            | 0.9 (349)             | 2.9 (1374)            | 13.2 (1491)                     |
|                         | All | 1.5 (886)                    | 2.6 (4784)            | 0.8 (1439)            | 2.9 (5179)            | 12.7 (5008)                     | 83.6 (4316)                       | 1.5 (673)                    | 2.7 (4371)            | 0.9 (1230)            | 2.9 (4735)            | 13.0 (5066)                     |

| Salary Structure Adjustments |     | 2020               |  |      | 2021                  |  |      |
|------------------------------|-----|--------------------|--|------|-----------------------|--|------|
|                              |     | Actual Adjustments |  |      | Projected Adjustments |  |      |
| National                     | NHN | %                  |  | n    | %                     |  | n    |
|                              | NS  | 1.9                |  | 963  | 1.8                   |  | 889  |
|                              | ES  | 1.9                |  | 476  | 1.9                   |  | 422  |
|                              | OE  | 1.9                |  | 1172 | 1.9                   |  | 1069 |
|                              | All | 1.9                |  | 940  | 1.9                   |  | 868  |
|                              |     | 1.9                |  | 3551 | 1.9                   |  | 3248 |

| Promotional<br>Increases | 2019  |      | 2019  |      | 2020   |      |
|--------------------------|---|------|---|------|--|------|
|                          | Percentage of Employees Receiving Promotional Increases |      | Percentage of Promoted Employee's Base Salary |      | Planned Spending on Promotions (as a percent of total base salaries) |      |
|                          | %   | n    | %   | n    | %  | n    |
| National                 | 8.4   | 1174 | 8.7   | 1164 | 1.5  | 1076 |

2020-21United States WorldatWork Salary Budget Survey

| Variable Pay |     | 2019             |      | 2020             |      | 2021 Projected   |      | 2019         |      | 2020 Projected |      |
|--------------|-----|------------------|------|------------------|------|------------------|------|--------------|------|----------------|------|
|              |     | Percent Budgeted |      | Percent Budgeted |      | Percent Budgeted |      | Percent Paid |      | Percent Paid   |      |
| National     | NHN | %                | n    | %                | n    | %                | n    | %            | n    | %              | n    |
|              | NS  | 5.9              | 435  | 5.6              | 426  | 5.8              | 402  | 5.6          | 561  | 5.0            | 506  |
|              | ES  | 6.2              | 258  | 6.0              | 254  | 6.1              | 233  | 6.3          | 313  | 5.4            | 282  |
|              | OE  | 13.1             | 781  | 12.6             | 776  | 12.9             | 718  | 12.8         | 971  | 11.4           | 872  |
|              | All | 39.1             | 741  | 37.9             | 733  | 38.1             | 685  | 38.5         | 914  | 33.9           | 821  |
|              |     | 19.6             | 2215 | 18.9             | 2189 | 19.2             | 2038 | 19.1         | 2759 | 16.8           | 2481 |



## 2020–2021 US Salary Increase Budgets Survey Results

Results from The Conference Board annual Salary Increase Budgets Survey indicate that the median 2020 actual total salary increase budget and merit increases across all employee groups are 3.00 percent. This year, 198 organizations completed the survey, which was fielded between April 21 and May 28.<sup>1</sup> Data were requested for four employment categories: nonexempt hourly (non-union), nonexempt salaried, exempt, and executive. Results are reported overall, by industry, revenues and employees.

The analysis provided below is based on the results, including zero increases.

### SALARY INCREASE BUDGETS

The median 2020 actual total salary increase budgets are 3.00 percent across all employee groups. These increases are the same as the actual increases for the past nine years and as the projected increases for 2020 in last June's report (Table 1).<sup>2</sup>

The 2020 projected total median increase in budgets across all employee categories and industries remains at 3.00 percent overall.

The overall median 2020 actual merit percent increases are 3.00 percent for each employment category. The same is true for the increased budgets projected for 2021, which remain unchanged compared to actual increases. Both increases are universally 3.00 percent across industries, revenues, and employee numbers. (Tables 4, 5, and 6)

Both 2020 actual and 2021 projected median general increases are 0.00 percent among employee categories overall (Tables 7, 8 and 9).

Other increases for 2020 (actual) and 2021 (projected) vary between 0.00 and 0.25 percent among employee categories overall. There is a slight variation in both the actual and projected increases when industries are concerned. (Tables 10, 11 and 12).

### SALARY STRUCTURE MOVEMENT

The 2021 median structure movement is projected at 2.00 percent in all employee categories. The actual 2020 median increase in salary structures is 2.00 percent for all employment categories as projected in May of last year (Table 13).

Financial Services – Banks and Diversified Financial Services - report the highest movements at 3.00 percent currently and forecast at 2.50 percent for all employees except non-exempt, hourly (2.75 percent) for 2021. Energy/Agriculture/Utilities and Other Services project 1 and 1.25 percent structure movement for executives for 2021, respectively. (Table 13).

<sup>1</sup> Fifteen organizations indicated that they provided information for their specific business units or did not answer this question; their responses are not included in the analysis.

<sup>2</sup> See *US Salary Increase Budgets for 2020*.

## Appendix

### Total Increases

| TABLE 1. Salary increase budgets – Total, percent – by industry and overall (zeros included) |                 |                                    |                     |        |           |                                       |                     |        |           |
|--|-----------------|------------------------------------|---------------------|--------|-----------|---------------------------------------|---------------------|--------|-----------|
|  |                 | 2020 Actual salary increase budget |                     |        |           | 2021 Projected salary increase budget |                     |        |           |
|  |                 | Non-exempt hourly                  | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                     | Non-exempt salaried | Exempt | Executive |
| All responses  | Median          | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|  | Mean            | 2.62                               | 2.57                | 2.68   | 2.55      | 2.55                                  | 2.50                | 2.64   | 2.69      |
|  | 25th percentile | 2.30                               | 2.00                | 2.48   | 1.70      | 2.00                                  | 2.00                | 2.50   | 2.00      |
|  | 75th percentile | 3.30                               | 3.43                | 3.48   | 3.25      | 3.00                                  | 3.10                | 3.10   | 3.00      |
| n=   |                 | 109                                | 100                 | 124    | 114       | 98                                    | 90                  | 111    | 101       |
| By industry*   |                 |                                    |                     |        |           |                                       |                     |        |           |
| Manufacturing  | Median          | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|  | n=              | 29                                 | 31                  | 35     | 32        | 23                                    | 27                  | 29     | 27        |
| Financial Services   | Median          | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 2.50                | 3.00   | 3.00      |
|  | n=              | 10                                 | 9                   | 11     | 10        | 9                                     | 8                   | 10     | 9         |
| Insurance  | Median          | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|  | n=              | 12                                 | 9                   | 13     | 12        | 11                                    | 8                   | 12     | 11        |
| Energy/Agriculture/Utilities   | Median          | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|  | n=              | 17                                 | 16                  | 19     | 17        | 17                                    | 15                  | 18     | 16        |
| Other Services   | Median          | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|  | n=              | 41                                 | 35                  | 46     | 43        | 38                                    | 32                  | 42     | 38        |

\*Financial Services includes Banks and Diversified Financial Services. Other Services includes Communications, Consulting, Diversified Services, Transportation and Trade.  
Source: The Conference Board, 2020

| TABLE 2. Salary increase budgets – Total, percent – by revenue (zeros included)* |        |                                    |                     |        |           |                                       |                     |        |           |
|--|--------|------------------------------------|---------------------|--------|-----------|---------------------------------------|---------------------|--------|-----------|
|  |        | 2020 Actual salary increase budget |                     |        |           | 2021 Projected salary increase budget |                     |        |           |
|  |        | Non-exempt hourly                  | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                     | Non-exempt salaried | Exempt | Executive |
| Under \$1 billion  | Median | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|  | n=     | 20                                 | 16                  | 22     | 22        | 19                                    | 14                  | 20     | 19        |
| \$1 billion to under \$5 billion   | Median | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|  | n=     | 27                                 | 30                  | 33     | 31        | 27                                    | 29                  | 32     | 30        |
| \$5 billion to under \$10 billion  | Median | 2.75                               | 2.70                | 2.75   | 2.88      | 2.78                                  | 2.25                | 2.78   | 3.00      |
|  | n=     | 15                                 | 11                  | 15     | 14        | 14                                    | 10                  | 14     | 13        |
| More than \$10 billion   | Median | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|  | n=     | 44                                 | 41                  | 51     | 44        | 36                                    | 35                  | 43     | 37        |

Source: The Conference Board, 2020

| TABLE 3. Salary increase budgets – Total, percent – by number of employees (zeros included) |        |                                    |                     |        |           |                                       |                     |        |           |
|---|--------|------------------------------------|---------------------|--------|-----------|---------------------------------------|---------------------|--------|-----------|
|   |        | 2020 Actual salary increase budget |                     |        |           | 2021 Projected salary increase budget |                     |        |           |
|   |        | Non-exempt hourly                  | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                     | Non-exempt salaried | Exempt | Executive |
| Under 2,500   | Median | 3.25                               | 3.33                | 3.25   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|   | n=     | 21                                 | 20                  | 25     | 25        | 21                                    | 18                  | 24     | 23        |
| 2,500-9,999   | Median | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|   | n=     | 36                                 | 32                  | 41     | 39        | 35                                    | 32                  | 39     | 37        |
| 10,000-19,999   | Median | 3.00                               | 3.00                | 3.00   | 3.00      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|   | n=     | 15                                 | 13                  | 17     | 14        | 12                                    | 11                  | 14     | 11        |
| 20,000 and more   | Median | 3.00                               | 3.00                | 3.00   | 2.85      | 3.00                                  | 3.00                | 3.00   | 3.00      |
|   | n=     | 37                                 | 35                  | 41     | 36        | 30                                    | 29                  | 34     | 30        |

Source: The Conference Board, 2020

## Merit Increases

| TABLE 4. Salary increase budgets – Merit, percent – by industry and overall (zeros included) |                 |  |                     |        |           |   |                     |        |           |
|--|-----------------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|  |                 | 2020 Actual salary increase budget (Merit) |                     |        |           | 2021 Projected salary increase budget (Merit) |                     |        |           |
|  |                 | Non-exempt hourly                          | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                             | Non-exempt salaried | Exempt | Executive |
| All responses  | Median          | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|  | Mean            | 2.54                                       | 2.59                | 2.67   | 2.70      | 2.47  | 2.49                | 2.58   | 2.67      |
|  | 25th percentile | 2.50                                       | 2.50                | 2.70   | 2.50      | 2.30  | 2.50                | 2.50   | 2.50      |
|  | 75th percentile | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|  | n=              | 147  | 135                 | 165    | 154       | 129   | 120                 | 146    | 135       |
| By industry*   |                 |  |                     |        |           |   |                     |        |           |
| Manufacturing  | Median          | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|  | n=              | 42   | 45                  | 48     | 47        | 33  | 38                  | 40     | 39        |
| Financial Services   | Median          | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|  | n=              | 12   | 11                  | 13     | 12        | 11  | 10                  | 12     | 11        |
| Insurance  | Median          | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|  | n=              | 19   | 16                  | 21     | 19        | 18  | 15                  | 20     | 19        |
| Energy/Agriculture/Utilities   | Median          | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|  | n=              | 21   | 19                  | 25     | 24        | 19  | 17                  | 22     | 19        |
| Other Services   | Median          | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|  | n=              | 53   | 44                  | 58     | 52        | 48  | 40                  | 52     | 47        |

\*Financial Services includes Banks and Diversified Financial Services. Other Services includes Communications, Consulting, Diversified Services, Transportation and Trade.  
Source: The Conference Board, 2020

| TABLE 5. Salary increase budgets – Merit, percent – by revenue (zeros included) |        |  |                     |        |           |   |                     |        |           |
|---|--------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|   |        | 2020 Actual salary increase budget (Merit) |                     |        |           | 2021 Projected salary increase budget (Merit) |                     |        |           |
|   |        | Non-exempt hourly                          | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                             | Non-exempt salaried | Exempt | Executive |
| Under \$1 billion   | Median | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|   | n=     | 26   | 20                  | 28     | 27        | 25  | 19                  | 26     | 25        |
| \$1 billion to under \$5 billion  | Median | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|   | n=     | 40   | 43                  | 47     | 45        | 35  | 37                  | 41     | 39        |
| \$5 billion to under \$10 billion   | Median | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|   | n=     | 24   | 19                  | 23     | 23        | 22  | 17                  | 21     | 21        |
| More than \$10 billion  | Median | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|   | n=     | 54   | 50                  | 64     | 56        | 45  | 45                  | 56     | 48        |

Source: The Conference Board, 2020

| TABLE 6. Salary increase budgets – Merit, percent – by number of employees (zeros included) |        |  |                     |        |           |   |                     |        |           |
|---|--------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|   |        | 2020 Actual salary increase budget (Merit) |                     |        |           | 2021 Projected salary increase budget (Merit) |                     |        |           |
|   |        | Non-exempt hourly                          | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                             | Non-exempt salaried | Exempt | Executive |
| Under 2,500   | Median | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|   | n=     | 25   | 23                  | 30     | 30        | 25  | 22                  | 29     | 28        |
| 2,500-9,999   | Median | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|   | n=     | 53   | 47                  | 58     | 55        | 48  | 42                  | 52     | 50        |
| 10,000-19,999   | Median | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|   | n=     | 18   | 16                  | 19     | 17        | 14  | 13                  | 15     | 12        |
| 20,000 and more   | Median | 3.00                                       | 3.00                | 3.00   | 3.00      | 3.00  | 3.00                | 3.00   | 3.00      |
|   | n=     | 51   | 49                  | 58     | 52        | 42  | 43                  | 50     | 45        |

Source: The Conference Board, 2020

## General Increases

| TABLE 7. Salary increase budgets – General, percent – by industry and overall (zeros included) |                 |  |                     |        |           |   |                     |        |           |
|--|-----------------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|  |                 | 2020 Actual salary increase budget (General) |                     |        |           | 2021 Projected salary increase budget (General) |                     |        |           |
|  |                 | Non-exempt hourly                            | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                               | Non-exempt salaried | Exempt | Executive |
| All responses  | Median          | 0.00   | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|  | Mean            | 0.86   | 0.53                | 0.49   | 0.46      | 0.68  | 0.50                | 0.46   | 0.48      |
|  | 25th percentile | 0.00   | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|  | 75th percentile | 2.00   | 0.13                | 0.00   | 0.00      | 1.50  | 0.00                | 0.00   | 0.00      |
|  | n=              | 46   | 40                  | 41     | 39        | 38  | 34                  | 35     | 33        |
| By industry*   |                 |  |                     |        |           |   |                     |        |           |
| Manufacturing  | Median          | 0.00   | 0.00                | 0.00   | 0.00      | 0.80  | 0.00                | 0.00   | 0.00      |
|  | n=              | 11   | 11                  | 11     | 11        | 8   | 9                   | 9      | 9         |
| Financial Services   | Median          | N/A  | N/A                 | N/A    | N/A       | N/A   | N/A                 | N/A    | N/A       |
|  | n=              | 3  | 3                   | 3      | 3         | 3   | 3                   | 3      | 3         |
| Insurance  | Median          | N/A  | N/A                 | N/A    | N/A       | N/A   | N/A                 | N/A    | N/A       |
|  | n=              | 4  | 3                   | 4      | 3         | 4   | 3                   | 4      | 3         |
| Energy/Agriculture/ Utilities  | Median          | 2.00   | 1.50                | 0.75   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|  | n=              | 12   | 9                   | 8      | 7         | 9   | 7                   | 6      | 5         |
| Other Services   | Median          | 0.00   | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|  | n=              | 16   | 14                  | 15     | 15        | 14  | 12                  | 13     | 13        |

\*Financial Services includes Banks and Diversified Financial Services. Other Services includes Communications, Consulting, Diversified Services, Transportation and Trade.  
N/A = Insufficient (less than 5) cases to report.  
Source: The Conference Board, 2020

| TABLE 8. Salary increase budgets – General, percent – by revenue (zeros included) |        |  |                     |        |           |   |                     |        |           |
|---|--------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|   |        | 2020 Actual salary increase budget (General) |                     |        |           | 2021 Projected salary increase budget (General) |                     |        |           |
|   |        | Non-exempt hourly                            | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                               | Non-exempt salaried | Exempt | Executive |
| Under \$1 billion   | Median | 0.75   | 0.75                | 1.50   | 0.75      | 0.00  | 0.00                | 0.00   | 0.00      |
|   | n=     | 8  | 8                   | 9      | 8         | 7   | 7                   | 8      | 7         |
| \$1 billion to under \$5 billion  | Median | 0.00   | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|   | n=     | 15   | 12                  | 12     | 12        | 12  | 10                  | 10     | 10        |
| \$5 billion to under \$10 billion   | Median | N/A  | N/A                 | N/A    | N/A       | N/A   | N/A                 | N/A    | N/A       |
|   | n=     | 4  | 4                   | 4      | 4         | 3   | 3                   | 3      | 3         |
| More than \$10 billion  | Median | 0.13   | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|   | n=     | 18   | 15                  | 15     | 14        | 16  | 14                  | 14     | 13        |

N/A = Insufficient (less than 5) cases to report.  
Source: The Conference Board, 2020

| TABLE 9. Salary increase budgets – General, percent – by number of employees (zeros included) |        |  |                     |        |           |   |                     |        |           |
|---|--------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|   |        | 2020 Actual salary increase budget (General) |                     |        |           | 2021 Projected salary increase budget (General) |                     |        |           |
|   |        | Non-exempt hourly                            | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                               | Non-exempt salaried | Exempt | Executive |
| Under 2,500   | Median | 1.50   | 0.75                | 1.50   | 0.75      | 0.00  | 0.00                | 0.00   | 0.00      |
|   | n=     | 9  | 8                   | 9      | 8         | 8   | 7                   | 8      | 7         |
| 2,500-9,999   | Median | 0.00   | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|   | n=     | 17   | 15                  | 15     | 14        | 15  | 14                  | 14     | 13        |
| 10,000-19,999   | Median | N/A  | N/A                 | N/A    | N/A       | N/A   | N/A                 | N/A    | N/A       |
|   | n=     | 5  | 4                   | 4      | 4         | 4   | 3                   | 3      | 3         |
| 20,000 and more   | Median | 0.00   | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|   | n=     | 15   | 13                  | 13     | 13        | 11  | 10                  | 10     | 10        |

N/A = Insufficient (less than 5) cases to report.  
Source: The Conference Board, 2020

## Other Increases

**TABLE 10. Salary increase budgets – Other, percent – by industry and overall (zeros included)**

|                              |                 | 2020 Actual salary increase budget (Other) |                     |        |           | 2021 Projected salary increase budget (Other) |                     |        |           |
|------------------------------|-----------------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|                              |                 | Non-exempt hourly                          | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                             | Non-exempt salaried | Exempt | Executive |
| All responses                | Median          | 0.00                                       | 0.08                | 0.23   | 0.00      | 0.25  | 0.18                | 0.25   | 0.15      |
|                              | Mean            | 0.42                                       | 0.49                | 0.54   | 0.43      | 0.46  | 0.43                | 0.45   | 0.46      |
|                              | 25th percentile | 0.00                                       | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.00   | 0.00      |
|                              | 75th percentile | 0.50                                       | 0.51                | 0.55   | 0.50      | 0.50  | 0.50                | 0.50   | 0.50      |
| By industry*                 |                 | n= 58                                      | n= 56               | n= 64  | n= 55     | n= 46   | n= 46               | n= 54  | n= 45     |
| Manufacturing                | Median          | 0.00                                       | 0.00                | 0.00   | 0.00      | 0.25  | 0.23                | 0.23   | 0.15      |
|                              | n=              | 14   | 15                  | 15     | 14        | 7   | 12                  | 12     | 11        |
| Financial Services           | Median          | 0.25                                       | 0.00                | 0.29   | 0.25      | 0.25  | 0.00                | 0.38   | 0.25      |
|                              | n=              | 5  | 5                   | 6      | 5         | 5   | 5                   | 6      | 5         |
| Insurance                    | Median          | 0.00                                       | N/A                 | 0.00   | N/A       | 0.00  | N/A                 | 0.00   | N/A       |
|                              | n=              | 5  | 4                   | 5      | 4         | 5   | 4                   | 5      | 4         |
| Energy/Agriculture/Utilities | Median          | 0.15                                       | 0.15                | 0.30   | 0.00      | 0.25  | 0.00                | 0.25   | N/A       |
|                              | n=              | 8  | 8                   | 9      | 6         | 6   | 5                   | 6      | 4         |
| Other Services               | Median          | 0.50                                       | 0.50                | 0.50   | 0.50      | 0.50  | 0.50                | 0.50   | 0.50      |
|                              | n=              | 26   | 24                  | 29     | 26        | 23  | 20                  | 25     | 21        |

\*Financial Services includes Banks and Diversified Financial Services. Other Services includes Communications, Consulting, Diversified Services, Transportation and Trade.  
N/A = Insufficient (less than 5) cases to report.  
The Conference Board, 2020

Source:

**TABLE 11. Salary increase budgets – Other, percent – by revenue (zeros included)**

|                                   |        | 2020 Actual salary increase budget (Other) |                     |        |           | 2021 Projected salary increase budget (Other) |                     |        |           |
|-----------------------------------|--------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|                                   |        | Non-exempt hourly                          | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                             | Non-exempt salaried | Exempt | Executive |
| Under \$1 billion                 | Median | 0.50                                       | 0.60                | 0.55   | 0.40      | 0.50  | 0.38                | 0.50   | 0.50      |
|                                   | n=     | 11   | 11                  | 12     | 10        | 10  | 8                   | 10     | 7         |
| \$1 billion to under \$5 billion  | Median | 0.00                                       | 0.10                | 0.21   | 0.00      | 0.00  | 0.20                | 0.21   | 0.00      |
|                                   | n=     | 16   | 18                  | 20     | 17        | 14  | 15                  | 17     | 15        |
| \$5 billion to under \$10 billion | Median | 0.38                                       | 0.00                | 0.38   | 0.38      | 0.50  | 0.25                | 0.50   | 0.50      |
|                                   | n=     | 8  | 7                   | 8      | 8         | 7   | 6                   | 7      | 7         |
| More than \$10 billion            | Median | 0.00                                       | 0.00                | 0.00   | 0.00      | 0.00  | 0.08                | 0.15   | 0.00      |
|                                   | n=     | 21   | 18                  | 22     | 18        | 14  | 16                  | 19     | 15        |

Source: The Conference Board, 2020

**TABLE 12. Salary increase budgets – Other, percent – by number of employees (zeros included)**

|                 |        | 2020 Actual salary increase budget (Other) |                     |        |           | 2021 Projected salary increase budget (Other) |                     |        |           |
|-----------------|--------|--|---------------------|--------|-----------|---|---------------------|--------|-----------|
|                 |        | Non-exempt hourly                          | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                             | Non-exempt salaried | Exempt | Executive |
| Under 2,500     | Median | 0.50                                       | 0.56                | 0.50   | 0.50      | 0.50  | 0.50                | 0.50   | 0.50      |
|                 | n=     | 14   | 16                  | 17     | 14        | 13  | 13                  | 15     | 11        |
| 2,500-9,999     | Median | 0.00                                       | 0.00                | 0.00   | 0.00      | 0.00  | 0.00                | 0.20   | 0.00      |
|                 | n=     | 16   | 14                  | 19     | 16        | 15  | 12                  | 17     | 15        |
| 10,000-19,999   | Median | 0.00                                       | 0.15                | 0.38   | 0.25      | 0.00  | 0.33                | 0.38   | 0.25      |
|                 | n=     | 7  | 7                   | 8      | 7         | 5   | 6                   | 6      | 5         |
| 20,000 and more | Median | 0.00                                       | 0.00                | 0.00   | 0.00      | 0.50  | 0.15                | 0.20   | 0.00      |
|                 | n=     | 21   | 19                  | 20     | 18        | 13  | 15                  | 16     | 14        |

Source: The Conference Board, 2020

## Salary Structure Movement

| TABLE 13. Salary structure movement – by industry and overall (zeros included) |                 |                         |                     |        |           |                                   |                     |        |           |
|--|-----------------|-------------------------|---------------------|--------|-----------|-----------------------------------|---------------------|--------|-----------|
|  |                 | 2020 Increase – percent |                     |        |           | 2021 Projected increase – percent |                     |        |           |
|  |                 | Non-exempt hourly       | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                 | Non-exempt salaried | Exempt | Executive |
| All responses  | Median          | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 2.00      |
|  | Mean            | 2.02                    | 1.98                | 2.02   | 1.77      | 1.68                              | 1.81                | 1.85   | 1.51      |
|  | 25th percentile | 1.50                    | 1.00                | 1.50   | 0.00      | 0.00                              | 0.00                | 1.00   | 0.00      |
|  | 75th percentile | 3.00                    | 2.70                | 2.60   | 2.50      | 2.50                              | 2.50                | 2.46   | 2.38      |
|  | n=              | 140                     | 131                 | 154    | 127       | 119                               | 114                 | 133    | 112       |
| By industry*   |                 |                         |                     |        |           |                                   |                     |        |           |
| Manufacturing  | Median          | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 2.00      |
|  | n=              | 40                      | 45                  | 45     | 40        | 31                                | 36                  | 36     | 35        |
| Financial Services   | Median          | 3.00                    | 3.00                | 3.00   | 3.00      | 2.75                              | 2.50                | 2.50   | 2.50      |
|  | n=              | 12                      | 10                  | 13     | 10        | 10                                | 9                   | 11     | 9         |
| Insurance  | Median          | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 2.00      |
|  | n=              | 14                      | 10                  | 15     | 10        | 15                                | 11                  | 16     | 11        |
| Energy/Agriculture/ Utilities  | Median          | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 1.00      |
|  | n=              | 25                      | 22                  | 27     | 20        | 22                                | 20                  | 24     | 17        |
| Other Services   | Median          | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 1.25      |
|  | n=              | 49                      | 44                  | 54     | 47        | 41                                | 38                  | 46     | 40        |

\*Financial Services includes Banks and Diversified Financial Services. Other Services includes Communications, Consulting, Diversified Services, Transportation and Trade.  
Source: The Conference Board, 2020

| TABLE 14. Salary structure movement – by revenue (zeros included) |        |                         |                     |        |           |                                   |                     |        |           |
|---|--------|-------------------------|---------------------|--------|-----------|-----------------------------------|---------------------|--------|-----------|
|   |        | 2020 Increase – percent |                     |        |           | 2021 Projected increase – percent |                     |        |           |
|   |        | Non-exempt hourly       | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                 | Non-exempt salaried | Exempt | Executive |
| Under \$1 billion   | Median | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 1.60                | 2.00   | 1.75      |
|   | n=     | 25                      | 23                  | 28     | 24        | 23                                | 21                  | 26     | 22        |
| \$1 billion to under \$5 billion                                  | Median | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 2.00      |
|   | n=     | 38                      | 40                  | 44     | 39        | 33                                | 35                  | 39     | 34        |
| \$5 billion to under \$10 billion                                 | Median | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 1.00      |
|   | n=     | 21                      | 15                  | 19     | 16        | 19                                | 14                  | 17     | 14        |
| More than \$10 billion  | Median | 2.04                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 2.00      |
|   | n=     | 53                      | 50                  | 60     | 46        | 42                                | 42                  | 49     | 40        |

Source: The Conference Board, 2020

| TABLE 15. Salary structure movement – by number of employees (zeros included) |        |                         |                     |        |           |                                   |                     |        |           |
|---|--------|-------------------------|---------------------|--------|-----------|-----------------------------------|---------------------|--------|-----------|
|   |        | 2020 Increase – percent |                     |        |           | 2021 Projected increase – percent |                     |        |           |
|   |        | Non-exempt hourly       | Non-exempt salaried | Exempt | Executive | Non-exempt hourly                 | Non-exempt salaried | Exempt | Executive |
| Under 2,500   | Median | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 2.00      |
|   | n=     | 26                      | 25                  | 31     | 26        | 25                                | 24                  | 30     | 25        |
| 2,500-9,999   | Median | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 2.00      |
|   | n=     | 47                      | 44                  | 52     | 44        | 43                                | 40                  | 48     | 41        |
| 10,000-19,999   | Median | 2.15                    | 2.25                | 2.25   | 2.25      | 2.00                              | 2.00                | 2.00   | 1.50      |
|   | n=     | 18                      | 14                  | 18     | 13        | 13                                | 12                  | 13     | 10        |
| 20,000 and more   | Median | 2.00                    | 2.00                | 2.00   | 2.00      | 2.00                              | 2.00                | 2.00   | 2.00      |
|   | n=     | 49                      | 48                  | 53     | 44        | 38                                | 38                  | 42     | 36        |

Source: The Conference Board, 2020

## Demographics

| TABLE 16. Response rate by industry   |            |               |
|---|------------|---------------|
|   | n          | Percent       |
| Manufacturing   | 55         | 30.1%         |
| Financial Services  | 15         | 8.2%          |
| Insurance   | 22         | 12.0%         |
| Energy/Agriculture/Utilities  | 29         | 15.8%         |
| Other Services  | 62         | 33.9%         |
| <b>Total</b>  | <b>183</b> | <b>100.0%</b> |
| Financial Services includes Banks and Diversified Financial Services. Other Services includes Communications, Consulting, Diversified Services, Transportation and Trade.<br>Source: The Conference Board, 2020 |            |               |

| TABLE 17. Response rate by worldwide revenues |            |               |
|---|------------|---------------|
|   | n          | Percent       |
| Under \$1 billion                             | 32         | 17.9%         |
| \$1 billion to under \$5 billion              | 50         | 27.9%         |
| \$5 billion to under \$10 billion             | 24         | 13.4%         |
| More than \$10 billion                        | 73         | 40.8%         |
| <b>Total</b>                                  | <b>179</b> | <b>100.0%</b> |
| Source: The Conference Board, 2020            |            |               |

| TABLE 18. Response rate by worldwide employees |            |             |
|--|------------|-------------|
|  | n          | Percent     |
| Under 2,500                                    | 34         | 18.7%       |
| 2,500-9,999                                    | 63         | 34.6%       |
| 10,000-19,999                                  | 22         | 12.1%       |
| 20,000 and more                                | 63         | 34.6%       |
| <b>Total</b>                                   | <b>182</b> | <b>294%</b> |
| Source: The Conference Board, 2020             |            |             |

Attachment JJS-3(a) is being filed under seal.



Attachment JJS-3(b) is being filed under seal.



# 2021 EXECUTIVE LONG-TERM INCENTIVE PLAN

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This brochure is intended to be a general summary of the 2021 Executive Long-term Incentive (LTI) Plan granted under the terms of the Duke Energy Corporation 2015 Long-term Incentive Plan (LTIP). The Executive LTI Plan is subject to the provisions of the LTIP and related prospectus and should be read together with the award agreements. In the event of any conflict between the information in this brochure and the LTIP or the applicable award agreements, the terms of the LTIP/award agreements will govern. Duke Energy Corporation reserves the right to amend, suspend or terminate the 2021 Executive LTI Plan at any time and for any reason. PARTICIPATION IN THE 2021 EXECUTIVE LTI PLAN IS NOT AN OFFER OR GUARANTEE OF EMPLOYMENT OR AN EMPLOYMENT CONTRACT AND DOES NOT ALTER THE AT-WILL NATURE OF ANY EMPLOYEE'S EMPLOYMENT IN ANY WAY.

## 2021 EXECUTIVE LONG-TERM INCENTIVE PLAN

As a leader at Duke Energy Corporation (Duke Energy), you receive stock-based incentives as part of your annual compensation. The grant date for the 2021 annual award was **February 24, 2021**. Under the 2021 Executive Long-term Incentive (LTI) Plan, you will receive two types of stock-based awards:

- **Performance Shares** — You will receive 70% of your 2021 LTI opportunity in performance shares. Performance shares are subject to vesting, but only after specified performance goals have been determined to have been achieved, subject to your continuous employment (or as otherwise described in the *2021 Executive LTI Plan Summary* on page 8). The 2021 Executive LTI Plan contains the following three performance goals, each of which is measured over a three calendar-year period (2021-2023):

| Performance Goal  | % of Shares |
|---|-------------|
| <b>Goal 1:</b> Cumulative adjusted basic Earnings Per Share (EPS)   | 50%         |
| <b>Goal 2:</b> Total Incident Case Rate (TICR)  | 25%         |
| <b>Goal 3:</b> Total Shareholder Return (TSR) relative to that of the companies in the Philadelphia Utility Index | 25%         |

- **Restricted Stock Units (RSUs)** — You will receive the remaining 30% of your 2021 LTI opportunity in the form of RSUs that will vest equally over a three-year period (one-third on each of the first three anniversaries of the grant date), subject to your continuous employment (or as otherwise described in the *2021 Executive LTI Plan Summary* on page 8).

The 2021 Executive LTI Plan continues Duke Energy's focus on increased stock ownership, more direct alignment with shareholders and retention. Specifically, the plan:

- Provides for share ownership by executives;
- Delivers a portion of your long-term incentive opportunity to you only when value is delivered to shareholders;
- Provides for increased award value in alignment with increases in shareholder value; and
- Assists in the retention of key executive talent.

### Total Rewards

Duke Energy's executive compensation and benefits programs are designed to reward high-performing individuals for delivering the results needed to ensure the company's success.

In changing times, Duke Energy's rewards strategy remains constant. The goal is to attract and retain high-caliber leaders by providing a competitive compensation package that recognizes corporate and individual performance.

Given today's business environment, the concept of a "total rewards" approach has never been more important. Stock awards are an important component — but not the only component — of a total rewards package that is reviewed annually to ensure ongoing competitiveness and appropriateness in light of internal and external factors. The elements of your total rewards package may include:

|             |                       |              |                     |                           |
|-------------|-----------------------|--------------|---------------------|---------------------------|
| Base Salary | Short-term Incentives | Stock Awards | Retirement Benefits | Health & Welfare benefits |
|-------------|-----------------------|--------------|---------------------|---------------------------|

### Accepting Your Stock Awards

In order for your 2021 Executive LTI Plan awards to take effect, it will be necessary for you to accept the awards and agree to their terms via the Fidelity NetBenefits website. An email communication with detailed instructions will be sent to you when it is time to accept your stock awards.

We encourage you to read this brochure carefully in conjunction with your award agreements, as well as the 2015 Long-term Incentive Plan Summary and its Prospectus. You may also wish to discuss this information with your personal financial advisor.

### Accessing Your Stock Awards

Record keeping for your stock awards is provided by Fidelity Stock Plan Services, LLC. You will be able to access your stock plan information online at [www.netbenefits.com](http://www.netbenefits.com) or by calling a Fidelity Stock Plan Services representative at 800-376-4015 (toll free).

## Eligibility

Participation in the Executive LTI Plan is generally reserved for members of the Enterprise Leadership Team (ELT) to ensure alignment with shareholder interests and accountability for making short and long-term strategic decisions.

## Calculating Your Stock Awards

To understand vesting opportunities under your stock awards, it is important to first understand how your stock awards were calculated. Your LTI opportunity is expressed as a percentage of your base pay. You should have received information about your 2021 LTI opportunity from your manager. You can also locate this information on the “Your Total Rewards” page on the Duke Energy Portal.

The number of performance shares and RSUs awarded to you was based on:

- Your annual base salary as of March 1, 2021;
- Your 2021 LTI opportunity; and
- The closing price of Duke Energy common stock on the grant date (i.e., \$87.34).

The number of performance shares specified in your award agreement represents the number of shares that are subject to vesting if Duke Energy’s performance is at the target level. However, at maximum performance, you have the opportunity, depending on Duke Energy’s performance, to vest in up to 200% of the number of target shares.

The following example illustrates how the Executive LTI stock awards are calculated:

| Calculation Example  |                                     |
|--|-------------------------------------|
| <b>Assumptions:</b>  |                                     |
| <ul style="list-style-type: none"> <li>• Annual base salary as of March 1, 2021 is \$250,000.</li> <li>• Target LTI opportunity is 50% of base salary or \$125,000 (\$250,000 x 50%).</li> <li>• Closing price of a share of Duke Energy common stock on the grant date is \$87.34.</li> </ul> |                                     |
| <b>LTI opportunity value by component:</b>   |                                     |
| Performance Shares.....  | \$125,000 x 70% = \$87,500          |
| Restricted Stock Units.....  | \$125,000 x 30% = \$37,500          |
| <b>Number of shares in award by component:</b>   |                                     |
| Performance Shares.....  | \$87,500 / \$87.34 = 1,002 (target) |
|  | 1,002 shares x 200% = 2,004 (max)   |
| Restricted Stock Units .....   | \$37,500 / \$87.34 = 429            |

## Highlights of 2021 Executive LTI Plan Awards

### Performance Shares

- 70% of LTI opportunity awarded as performance shares.
- Three performance goals based on cumulative adjusted Earnings Per Share (EPS), Total Incident Case Rate (TICR) and relative Total Shareholder Return (TSR) compared to companies in the Philadelphia Utility Index.
- Performance measured over a three calendar-year period from 2021 to 2023 and will vest, subject to company performance, in early 2024.
- May vest in up to 200% of the target number of shares at maximum performance.
- Performance shares vest, subject to continuous employment, based on performance at the end of the three-year performance period. Prorated vesting provided if employment terminates after attaining age 55 with 10 years of service or after involuntary termination without cause.\*
- Number of shares distributed is reduced to satisfy any tax withholding obligation.
- At the end of the performance period, receive cash payment equal to dividends declared and paid for the three-year period for each performance share that is vested and paid.

### Restricted Stock Units (RSUs)

- 30% of LTI opportunity awarded as RSUs.
- One-third of the RSUs vest, subject to continuous employment, on each of the first three anniversaries of the grant date. Prorated vesting provided if employment terminates after attaining age 55 with 10 years of service or after involuntary termination without cause.
- Number of shares distributed is reduced to satisfy any tax withholding obligation.
- For each unvested RSU, receive quarterly cash payment equal to the cash dividend per share declared and paid on Duke Energy common stock

\*Special vesting rules apply to certain participants. You will be notified if these rules apply to you.



## PERFORMANCE GOALS (applicable to 70% of your award)

The intent of your performance share award is to link a portion of your LTI value to the achievement of performance goals that directly align with shareholders' interests. Part of your award is at risk, such that you will forfeit the performance shares if the goals are not achieved.

### Performance Award Updates

Determination of goal achievement for the 2021 Executive LTI Plan performance shares will be made in early 2024. During the 2021-2023 performance period, periodic updates on Duke Energy's progress relative to the performance goals will be posted on the Stock Awards page under the myHR menu on the Duke Energy Portal.

Performance achievement for the 2021 performance shares will be measured against three metrics.

- **EPS Performance Goal:** The vesting opportunity for one-half (50%) of your performance shares will be based on Duke Energy's cumulative adjusted basic EPS over the three calendar-year period 2021 to 2023. The chart below indicates the percentage of this portion of your performance shares that will vest based on a determination of achievement of EPS:

| Cumulative Adjusted Basic EPS  | % of Target Shares Vested |
|--------------------------------|---------------------------|
| Below [REDACTED]               | 0%                        |
| [REDACTED] threshold)          | 50%                       |
| [REDACTED] (target)            | 100%                      |
| [REDACTED] or higher (maximum) | 200%                      |

The percentage of performance shares that will vest will be interpolated for achievement of cumulative adjusted basic EPS between these amounts.

- **TICR Performance Goal:** The vesting opportunity for one-quarter (25%) of your performance shares will be based on Duke Energy's TICR measured over the three calendar-year period 2021 to 2023. The chart below indicates the percentage of this portion of your performance shares that will vest based on a determination of achievement at the specified percentile rankings:

| TICR Percentile Ranking vs. EEI Peer Group* | % of Target Shares Vested |
|---|---------------------------|
| Below 75 <sup>th</sup>                      | 0%                        |
| 75 <sup>th</sup> (threshold)                | 50%                       |
| 90 <sup>th</sup> (target)                   | 100%                      |
| Top Company (maximum)                       | 200%                      |

The percentage of performance shares that will vest will be interpolated for achievement of TICR between these percentile rankings.

\*EEI Group 1 Large Company Index, excluding companies without gas or nuclear operations, that report TICR results for at least one year during the 2020-2022 period

- **TSR Performance Goal:** The vesting opportunity for the remaining one-quarter (25%) of your performance shares will be based on Duke Energy's cumulative TSR relative to that of the companies in the Philadelphia Utility Index (UTY), measured over the three calendar-year period 2021 to 2023. The chart below indicates the percentage of this portion of your performance shares that will vest based on a determination of achievement at the specified percentile rankings:

| TSR Percentile Ranking vs. UTY       | % of Target Shares Vested |
|--------------------------------------|---------------------------|
| Below 25 <sup>th</sup>               | 0%                        |
| 25 <sup>th</sup> (threshold)         | 50%                       |
| 55 <sup>th</sup> (target)            | 100%                      |
| 90 <sup>th</sup> or higher (maximum) | 200%                      |

The percentage of performance shares that will vest will be interpolated for achievement of TSR between these percentile rankings.

In addition, if Duke Energy's cumulative TSR is at least 15% during the performance period, the payout for the TSR portion cannot be less than 30% of target shares, and if Duke Energy's TSR is negative during the performance period, the payout cannot exceed the target level (i.e., 100%).

## About Cumulative Adjusted Basic Earnings Per Share (EPS)

### *What is cumulative adjusted basic EPS?*

Cumulative EPS measures earnings over a specified period of time. Adjusted EPS is a company's earnings, as adjusted for "special items", divided by the number of its weighted average outstanding shares of common stock. For instance, a corporation that earned \$10 million last year and has 10 million shares outstanding would report EPS of \$1.

### *Why was cumulative adjusted EPS chosen as one of the performance measures for the 2021 performance shares?*

This measure aligns the interests of executives with shareholders. Over time, increases in EPS drive shareholder value and should result in increases to Duke Energy's stock price.

### *How is cumulative adjusted basic EPS calculated?*

Cumulative adjusted basic EPS is calculated by adding the actual adjusted EPS results for each year during the performance period (i.e., 2021-2023).

## About Total Incident Case Rate (TICR)

### *What is TICR?*

Total Incident Case Rate, or TICR, measures the number of occupational injuries and illnesses per 100 employees, including staff augmentation workers, and is calculated as follows.

$$\text{TICR} = \frac{\text{Number of injuries X 200,000 hours}}{\text{Total Hours worked}}$$

The TICR performance goal under the 2021 Executive LTI Plan is based on the number of injuries and hours worked measured over the three calendar-year period (2021-2023).

### *Why was TICR chosen as one of the performance measures for the 2021 performance shares?*

Safety is a core value for our company. In addition, research shows that the discipline necessary to achieve high performance in safety influences all other aspects of operational excellence.

### *How is the TICR goal evaluated?*

The TICR goal is based on how Duke Energy's TICR over the 2021-2023 performance period compares to the results of the companies in the EEI Group I Large Company Index, excluding companies without gas or nuclear operations, that report TICR results for at least one year during the 2020-2022 period.

## About Total Shareholder Return (TSR)

### *What is Total Shareholder Return?*

Total Shareholder Return is the return a shareholder earns over a specified period of time. TSR measures the change in fair market value of an initial investment in common stock, over a specified period, with dividends reinvested, and is typically expressed as an annual percentage.

The average closing price on each day during the month of December at the beginning and ending of the performance period (i.e., 2020 and 2023) will be used to calculate TSR results.

### *Why was TSR chosen as one of the performance measure for the 2021 performance shares and how is it evaluated?*

Because TSR measures the change in a shareholder's investment over a period of time, it aligns the interests of executives with shareholders. This concept is consistent with Duke Energy's focus on long-term shareholder value creation. The TSR measure under the 2021 Executive LTI Plan is measured on a relative basis (i.e., as compared to the TSR of a published index of companies in the UTY).

### *Why was the Philadelphia Utility Index (UTY) chosen as the benchmark against which to compare Duke Energy's TSR?*

The UTY is an index of companies similar to Duke Energy. When measuring Duke Energy's TSR as compared to the companies in the UTY, only those companies in the UTY on the first day of the performance period will be considered unless a company is no longer a separate publicly-traded company due to merger, acquisition or privatization.

This example illustrates how TSR is calculated for a one-year period. Keep in mind that the TSR performance goal under the 2021 Executive LTI Plan is based on TSR measured over the three calendar-year period (2021-2023) relative to the companies in the Philadelphia Utility Index.

| TSR Calculation*  |             |                                 |  |
|---|-------------|---------------------------------|--|
| Month   | Share Value | Dividend Reinvestment           | Total Shares                               |
| Jan.1   | \$95.00     | Not applicable                  | Initial investment of 100 shares = \$9,500 |
| Mar.  | \$95.50     | 100.00 shares x 0.945 = \$94.50 | Buy 0.99 share = 100.99 total shares       |
| Jun.  | \$96.00     | 100.99 shares x 0.945 = \$95.44 | Buy 0.99 share = 101.98 total shares       |
| Sep.  | \$96.50     | 101.98 shares x 0.945 = \$96.37 | Buy 1.00 share = 102.98 total shares       |
| Dec.  | \$97.00     | 102.98 shares x 0.945 = \$97.32 | Buy 1.00 share = 103.98 total shares       |
| Dec. 31   | \$97.50     | Not applicable                  | 103.98 shares x \$97.50 = \$10,138         |
| <b>TOTAL SHAREHOLDER RETURN = (\$10,138 - \$9,500) / \$9,500 = 6.7%</b> |             |                                 |  |

\*The amounts reflected in the preceding example are merely intended for illustrative purposes and do not reflect any expectations or predictions by the company.

### Certification of Final Results by the Compensation and People Development Committee

Duke Energy's results with respect to the performance measures will be certified by the Compensation and People Development Committee of the Board of Directors. The Compensation and People Development Committee reserves the right to adjust or reduce payments if it determines that such action is appropriate to reflect an adjustment to the calculation of EPS (for unusual or nonrecurring items) or in connection with another change in circumstances or events. As a result, it is important to remember that the performance share results will not be officially determined until they are certified by the Compensation and People Development Committee in early 2024.



## GENERAL INFORMATION

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Performance shares and RSUs provide some, but not all, of the benefits of actual shares of Duke Energy common stock.

### Vesting

Generally, your performance shares will become vested following a determination in early 2024 based on the extent to which the performance goals have been achieved. If, at the time of such determination, your continuous employment has not terminated (or as otherwise described in the *2021 Executive LTI Plan Summary* on page 8), up to 200% of the target number of performance shares in your award will then immediately vest, depending upon the level of goal achievement. Any shares not vested are forfeited.

Your RSUs vest, while your employment continues, according to an installment-based vesting schedule (or as otherwise described in the *2021 Executive LTI Plan Summary* on page 8). Under that schedule, one-third of your RSUs will vest on each of the first three anniversaries of the grant date.

The following provisions apply to the vesting of your performance shares and RSUs:

- Performance shares and RSUs generally are paid as soon as practicable after they vest. Certain exceptions apply in the event that such awards vest on or following your termination of employment.
- Vested performance shares and vested RSUs are paid in whole shares of Duke Energy common stock.
- The number of shares paid is reduced to satisfy your tax withholding obligation (see *Taxes* on page 7 for additional details).

### Dividend Equivalents

You will receive dividend equivalent payments on your performance shares and RSUs as follows:

- For each performance share that is vested and paid, following the determination in early 2024 of whether the performance goals have been achieved, you will receive a cash payment equal to the dividends declared and paid after the grant date and before the vested performance shares are paid (i.e., the dividend equivalent). This amount is paid on an accumulated basis at the end of the three calendar-year period.

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

### Stock Ownership Guidelines

Members of the Enterprise Leadership Team (ELT) are subject to the Duke Energy Stock Ownership Guideline Policy. Unvested RSUs, but not unvested performance shares, count toward your target ownership level. Actual shares of Duke Energy common stock paid to you following vesting of RSUs and performance shares that you continue to hold also count toward your target ownership level.

### Voting Rights

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

### Ability to Sell

You may not sell your performance shares or 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 and, if applicable, stock ownership guidelines.

## Taxes

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













Keep in mind 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.

### Example: Tax Withholding Through 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 \$85). The amount of Duke Energy common stock you receive would be reduced by 40 shares ( $\$3,400/\$85 = 40$  shares). You would receive 60 shares in your Fidelity Brokerage account, the 100 shares that vested less the 40 shares withheld to pay your tax withholding.

## 2021 EXECUTIVE LTI PLAN SUMMARY

The following chart summarizes the terms of your stock awards under the 2021 Executive LTI Plan.

| Provision   | Performance Shares  | Restricted Stock Units (RSUs)   |                                  |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
|---|---|---|----------------------------------|-----------------|-----------------|--------------------|-------------------------------|--------------------------------------|----------------------------------|----|---|------------------------|------------------------|-----|---|------------------|------------------|------|---|------------------|------------------|------|---|-------------|----------------------------|-----|
| Grant date  | February 24, 2021   | February 24, 2021   |                                  |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
| Performance Goals and Vesting Opportunity   | <p>The extent to which the performance shares vest depends on achievement relative to three performance measures during the 2021-2023 performance period, as follows:</p> <table><thead><tr><th></th><th>(50% Weighting)</th><th>(25% Weighting)</th><th>(25% Weighting)</th></tr><tr><th>% of Target Shares</th><th>Cumulative Adjusted Basic EPS</th><th>Duke Energy TICR vs. EEI Peer Group*</th><th>Duke TSR vs. Phil. Utility Index</th></tr></thead><tbody><tr><td>0%</td><td>Below </td><td>Below 75<sup>th</sup></td><td>Below 25<sup>th</sup></td></tr><tr><td>50%</td><td></td><td>75<sup>th</sup></td><td>25<sup>th</sup></td></tr><tr><td>100%</td><td></td><td>90<sup>th</sup></td><td>55<sup>th</sup></td></tr><tr><td>200%</td><td></td><td>Top Company</td><td>90<sup>th</sup> or higher</td></tr></tbody></table> <p><i>* EEI Group 1 Large Company Index, excluding companies without gas or nuclear operations, that report TICR results for at least one year during the 2020-2022 period.</i></p>  |   | (50% Weighting)                  | (25% Weighting) | (25% Weighting) | % of Target Shares | Cumulative Adjusted Basic EPS | Duke Energy TICR vs. EEI Peer Group* | Duke TSR vs. Phil. Utility Index | 0% | Below  | Below 75 <sup>th</sup> | Below 25 <sup>th</sup> | 50% |  | 75 <sup>th</sup> | 25 <sup>th</sup> | 100% |  | 90 <sup>th</sup> | 55 <sup>th</sup> | 200% |  | Top Company | 90 <sup>th</sup> or higher | N/A |
|   | (50% Weighting)   | (25% Weighting)   | (25% Weighting)                  |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
| % of Target Shares  | Cumulative Adjusted Basic EPS   | Duke Energy TICR vs. EEI Peer Group*  | Duke TSR vs. Phil. Utility Index |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
| 0%  | Below    | Below 75 <sup>th</sup>  | Below 25 <sup>th</sup>           |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
| 50%   |    | 75 <sup>th</sup>  | 25 <sup>th</sup>                 |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
| 100%  |    | 90 <sup>th</sup>  | 55 <sup>th</sup>                 |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
| 200%  |    | Top Company   | 90 <sup>th</sup> or higher       |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
| <p><b>Vesting</b></p> <ul style="list-style-type: none"><li>• While employment continues</li><li>• When employment with Duke Energy and its affiliated companies terminates<ul style="list-style-type: none"><li>- 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 a divestiture</li><li>- On account of death/disability</li><li>- Other than after attaining the age of 55 with 10 years of service or on account of death/disability/termination by company without cause/divestiture</li></ul></li></ul> | <p>Following determination in early 2024 of the extent to which the performance measures have been achieved, immediate vesting of the applicable number of shares based on actual performance.</p> <p>If on or after 12/31/23 but before determination in early 2024 that the goals have been achieved – once the determination is made, immediate vesting of applicable number of shares based on actual performance.</p> <p>If before 12/31/23 – once the determination is made in early 2024 that the goals have been achieved, immediate vesting of the applicable number of shares based on actual performance, adjusted to reflect only actual 2021-2023 service.*</p> <p>Shares not immediately vested are forfeited. <u>Note:</u> Special vesting rules apply to certain participants. You will be notified if these rules apply to you.</p> <p>If on or after 12/31/23 but before determination in early 2024 that the goals have been achieved – once the determination is made, immediate vesting of applicable number of shares based on actual performance.</p> <p>If before 12/31/23 – once the determination is made in early 2024 that the goals have been achieved, immediate vesting of the applicable number of shares based on actual performance, adjusted to reflect only actual 2021-2023 service.*</p> <p>Shares not immediately vested are forfeited.</p> <p>If before 12/31/23, all shares are forfeited.</p> | <p>Three-year installment vesting — 1/3 of units vest each year on anniversary of grant date.</p> <p>Units in award are reduced to reflect only actual service during the installment vesting period** and become immediately vested and paid to the extent not previously vested.</p> <p>Units not previously or immediately vested are forfeited.</p> <p>Units become immediately vested and paid.</p> <p>Vesting ends — units not previously vested are forfeited.</p> |                                  |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |
| Dividend Equivalents  | <p>Following determination in early 2024 that the goals have been achieved, for each performance share that becomes vested, payment will be in an amount equal to the aggregate cash dividends on a share of Duke Energy common stock previously declared and paid after the grant date and before the vested performance share is paid.</p>  | <p>Quarterly payments on unvested units that have not been forfeited are paid when common stock cash dividends are declared and paid.</p>   |                                  |                 |                 |                    |                               |                                      |                                  |    |   |                        |                        |     |   |                  |                  |      |   |                  |                  |      |   |             |                            |     |

\* Calculated based on number of days of actual service, divided by the total number of days in the 2021-2023 period

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

## CONTACT INFORMATION

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### Resources

If you have specific questions about the Executive LTI Plan, you may contact:



If you have general questions regarding RSUs or performance shares, you may contact:

**Fidelity Stock Plan Services, LLC**  
**Toll free: 800.376.4015**  
**[www.netbenefits.com](http://www.netbenefits.com)**

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Summary: Testimony Direct Testimony of Jacob J. Stewart - PUBLIC electronically filed by Mrs. Tammy M. Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Kingery, Jeanne W. and Vaysman, Larisa and Elizabeth M. Brama