

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-7, SUB 1106

In the Matter of:)
Application of Duke Energy Carolinas,)
LLC for Approval of Renewable Energy)
and Energy Efficiency Portfolio)
Standard (REPS) Compliance Report)
and Cost Recovery Rider Pursuant to)
N.C. Gen. Stat. § 62-133.8 and)
Commission Rule R8-67)

NCSEA'S POST HEARING
BRIEF
[PUBLIC]

FILED

JUL 25 2016

Clerk's Office
N.C. Utilities Commission

NCSEA'S POST HEARING BRIEF

The North Carolina Sustainable Energy Association ("NCSEA") submits this post-hearing brief in accordance with the *Addendum to Order Granting Extension of Time* issued by the North Carolina Utilities Commission ("Commission") on June 17, 2016. NCSEA does not challenge any costs for which Duke Energy Carolinas, LLC ("DEC") seeks recovery as unreasonable or imprudent. NCSEA does, however, seek (1) to provide a temporal context for DEC's proposed Renewable Energy and Energy Efficiency Portfolio Standard ("REPS") charge and (2) provide context for the reasonableness and prudence of DEC recovering certain costs related to interconnecting independently-owned generation to its grid.

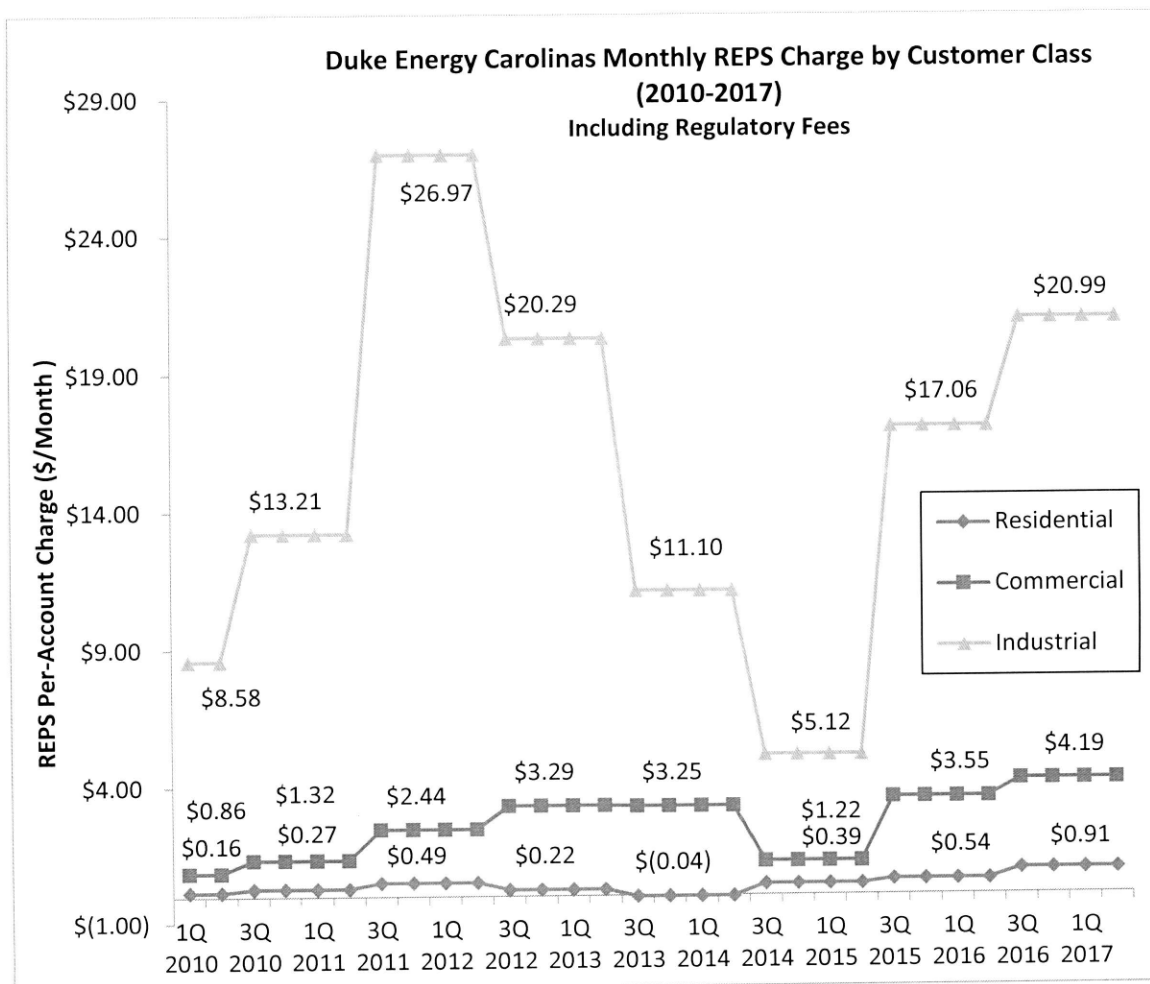
I. DEC'S PROPOSED RIDER CHARGES IN CONTEXT

In this proceeding, DEC requests approval of monthly REPS riders, including the regulatory fee, of \$0.91 per residential class account, a \$0.37 increase from the existing rider, \$4.19 per commercial class account,¹ a \$0.64 increase from the existing rider, and

¹ As noted in its application, "Duke Energy Carolinas' General Service rate schedule generally covers the class of customers intended to be captured by the 'Commercial' class included within N.C. Gen. Stat. § 62-133.8. The Company does not have a rate schedule for 'Commercial' customers." *Application for Approval*

\$20.99 per industrial class account, a \$3.93 increase from the existing rider. **Figure 1** below provides context for the proposed riders compared to riders that have been approved over the years.

Figure 1²



of REPS Cost Recovery Rider and 2015 REPS Compliance Report, p. 4, n. 1, Docket No. E-7, Sub 1106 (March 9, 2016).

² Order Approving REPS Riders, p. 2, Docket No. E-7, Sub 872 (December 15, 2009); Order Approving REPS and REPS EMF Riders, p. 14, Docket No. E-7, Sub 936 (August 13, 2010); Duke Energy's Renewable Energy Portfolio Rider REPS NC, p. 1, Docket No. E-7, Sub 984 (August 26, 2011); Duke's Renewable Energy Portfolio Standard Rider (NC), p. 1, Docket No. E-7, Sub 1008 (August 24, 2012); Duke's Revised REPS Cost Recovery Riders, p. 1, Docket No. E-7, Sub 1034 (August 29, 2013); Order Approving REPS and REPS EMF Riders and 2013 REPS Compliance, p. 5, Docket No. E-7, Sub 1052 (August 21, 2014); DEC's REPS Rider Application (Redacted) and Testimonies of Gary Freeman and Veronica Williams, p. 4, Docket No. E-7, Sub 1074 (March 4, 2015); Supplemental Testimony of Veronica I. Williams, Revised Williams Exhibit No. 4, p. 1, Docket No. E-7, Sub 1106 (May 18, 2016).

DEC's proposed riders, if approved, represent annual charges of \$10.92, \$50.28, and \$251.88 for the residential, commercial, and industrial rate classes respectively and are well below the statutory caps set forth in G.S. 62-133.8(h)(4). NCSEA does not challenge the reasonableness or prudence of any costs for which DEC seeks recovery in its REPS rider application.

II. INTERCONNECTION COSTS

Both the Commission and the Public Staff have raised questions regarding DEC recovering costs associated with interconnecting independently-owned generation to its electric grid.³ While some interconnection costs are being recovered by DEC in the REPS rider, not all such costs are recovered through the rider.⁴ Under North Carolina's interconnection procedures, generating facilities wishing to interconnect to DEC's grid are required to "cover the Utility's reasonably anticipated costs for conducting the System Impact Study and the Facilities Study."⁵ Further, generating facilities wishing to interconnect to DEC's grid are also required to "pay for the cost of the Interconnection Facilities[.]"⁶ Upon information and belief, generating facilities wishing to interconnect to DEC's grid have paid millions of dollars in deposits and upgrades to cover the costs of interconnecting their generation projects. To put in perspective, in 2015 interconnection

³ Much, but not all, of the independently-owned generation that is interconnecting to DEC's grid is used for REPS compliance. However, as of now there is no good method to distinguish between interconnection costs that will ultimately benefit REPS compliance and costs that will not. If and when a method of distinguishing the costs is determined, the issue can be revisited; in the meantime, NCSEA believes that DEC should be allowed to recover all of these costs in the REPS rider, because, as a whole, they further REPS compliance.

⁴ *Transcript of Testimony Heard June 7, 2016*, p. 95, Docket No. E-7, Sub 1106 (June 16, 2016) ("Transcript").

⁵ North Carolina Interconnection Procedures, Forms, and Agreements, Sec. 1.4.1.2.

⁶ North Carolina Interconnection Agreement, Sec. 4.1.1.

and system upgrade charges in Duke Energy Progress' service territory totaled \$10,526,718 and charges are expected to total \$25,699,293 in 2016.⁷

"[I]n order for a REC to be generated, a project has to be interconnected to the grid."⁸ Since RECs are used for REPS compliance, interconnection becomes crucial for overall REPS compliance. However, interconnection costs passing through the REPS rider are relatively small. DEC's total REPS cost during the EMF period was \$50,735,597.⁹ Within that total, internal labor costs were [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].¹⁰ These internal labor costs are comprised of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] labor hours billed by DEC employees.¹¹ Of these, only [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] of the internal labor hours were attributable to interconnection.¹² This equates to [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] of internal labor costs attributable to interconnection.¹³ Put in the context of total REPS costs, internal labor charges attributable to interconnection make up approximately [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] of the total REPS costs during the EMF period.

While the interconnection costs being recovered by DEC in the REPS rider are relatively small compared to the total REPS costs, there is always room for improvement.

⁷ See, **Exhibit A** (Slide from Duke Energy Progress presentation regarding interconnection and system upgrade charges). While Duke Energy Progress has released these totals, NCSEA is not aware that DEC has compiled information for their service territory. However, as more solar generation is being installed in Duke Energy Progress' territory than in DEC's territory, the totals for DEC are likely lower.

⁸ Transcript, p. 86.

⁹ Revised Jennings Exhibit No. 2, p. 6, Docket No. E-7, Sub 1106 (May 18, 2016).

¹⁰ *Id.*, p. 7.

¹¹ Jennings Late-Filed Exhibit No. 1, p. 5 (June 24, 2016).

¹² Jennings Late-Filed Exhibit No. 2, (June 24, 2016).

¹³ *Id.*

In his affidavit, Public Staff Witness Lucas recommends “that DEC continue to refine this process [of assigning employee time] to allow the direct assignment of costs to specific projects or program areas, to the maximum extent feasible, in order to ensure that only those costs attributable to REPS compliance are submitted for recovery through the REPS rider.”¹⁴ Since this affidavit was filed, DEC has put into place accounting procedures that will charge labor hours to specific the interconnection projects.¹⁵ These changes were noted by the Public Staff as a “great improvement in their process[.]”¹⁶

CONCLUSION

NCSEA does not challenge any costs for which DEC seeks recovery in its REPS rider application as unreasonable or imprudent. NCSEA does, however, wish to express its belief that DEC should be allowed to recover certain costs associated with interconnecting independently-owned generation facilities in the REPS rider, as these costs ultimately benefit REPS compliance.

Respectfully submitted, this the 25th day of July, 2016.



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¹⁴ Transcript, pp. 118-119.

¹⁵ *Id.*, p. 84.

¹⁶ *Id.*, p. 126.

CERTIFICATE OF SERVICE

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing Comments by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 25th day of July, 2016.



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Exhibit A

DEP IC & System Upgrade Charges

Interconnection Facilities	
Year	Amount
2012	\$ 500,310.52
2013	\$ 3,733,107.04
2014	\$ 3,474,093.92
2015	\$ 4,731,645.53
2016	\$ 2,221,635.00

System Upgrades	
Year	Amount
2012	\$ 783,029.73
2013	\$ 2,498,163.95
2014	\$ 5,482,763.52
2015	\$ 5,795,072.22
2016	\$ 23,377,608.00

Combined Amount	
Year	Amount
2012	\$ 1,343,340.25
2013	\$ 6,231,270.99
2014	\$ 8,956,857.44
2015	\$ 10,526,717.75
2016	\$ 25,699,243.00

