NCSEA'S POST-HEARING BRIEF

The North Carolina Sustainable Energy Association ("NCSEA") submits this post-hearing brief in accordance with the 12 June 2013 Notice of Due Date for Briefs/Proposed Orders issued by the North Carolina Utilities Commission ("Commission") in this docket.

NCSEA does not challenge herein as unreasonable or imprudently incurred any costs Duke Energy Carolinas, LLC ("DEC") seeks to recover. NCSEA does, however, seek to (1) provide a temporal context for DEC's proposed Renewable Energy and Energy Efficiency Portfolio Standard ("REPS") charges; (2) ensure DEC continues to report on the REPS-related research for which it seeks cost recovery under the REPS rider (a) on an annual basis and (b) in conformity, content-wise, with the Commission's 2012 directive; (3) have the Commission consider requiring DEC to report on REPS-related research in its annual REPS rider application even if DEC chooses to seek cost recovery for the research elsewhere; and (4) have DEC refile its REPS compliance report without redaction of the information DEC made public during the 4 June 2013 hearing in this matter.
**DEC'S PROPOSED RIDER CHARGES IN CONTEXT**

In this proceeding, DEC requests approval of a per-account monthly REPS charge of $(0.01) for residential customers, $3.42 for commercial customers, and $12.58 for industrial customers. These proposed per-account monthly charges represent decrements of $0.23 and $7.71 for residential and industrial customers, respectively, and an increment of $0.13 for commercial customers. The graph below depicts the per-account monthly charges that have been approved in recent years and the per-account monthly charges being proposed in this proceeding.

![Duke Energy Monthly REPS Charge by Customer Class (2010-2014)](source: E-7 REPS Recovery Dockets)

When these per-account monthly charges are multiplied by twelve, they yield the following per-account annual charges: $(0.12) for residential customers, $41.04 for

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1 See *Official Exhibits for Hearing on 6-4-2013*, Raleigh, Revised Williams Exhibit No. 5, p. 3, Commission Docket No. E-7, Sub 1034 (12 June 2013).
commercial customers, and $150.96 for industrial customers. These proposed per-account annual charges are all well below the statutory caps of $12.00 for residential customers, $150.00 for commercial customers, and $1,000.00 for industrial customers that are set out in N.C. Gen. Stat. § 62-133.8(h)(4).

**DEC’s Reporting on REPS-Related Research**

N.C. Gen. Stat. § 62-133.8(h)(1) provides in pertinent part that

> for the purposes of this subsection, the term “incremental costs” means all reasonable and prudent costs incurred by an electric power supplier to:

> b. **Fund research that encourages the development of renewable energy, energy efficiency, or improved air quality, provided those costs do not exceed one million dollars ($1,000,000) per year.**

(Emphasis added). N.C. Gen. Stat. § 62-133.8(h)(4) directs that “[a]n electric power supplier shall be allowed to recover the incremental costs incurred to . . . fund research as provided in subdivision (1) of this subsection through an annual rider . . . .”

As shown in the table below, DEC has incurred significant research costs over the last several years for which it has secured (or seeks to secure) cost recovery via its REPS rider.

<table>
<thead>
<tr>
<th>Docket</th>
<th>Test Year</th>
<th>Research Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-7, Sub 936</td>
<td>2009</td>
<td>$789,627</td>
</tr>
<tr>
<td>E-7, Sub 984</td>
<td>2010</td>
<td>$750,765</td>
</tr>
<tr>
<td>E-7, Sub 1008</td>
<td>2011</td>
<td>$889,834</td>
</tr>
<tr>
<td>E-7, Sub 1034</td>
<td>2012</td>
<td>$375,040</td>
</tr>
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In last year's *Order Approving REPS and REPS EMF Riders and 2011 REPS Compliance* ("2012 Order"), the Commission found and concluded that

[...] the Commission agrees with NCSEA that [DEC] should be more transparent as to the results of the research that it has funded via the REPS rider. The Commission understands that some of the research is subject to confidentiality and/or subscription agreements. Therefore, the Commission will require [DEC] to file with its 2013 REPS rider application study results for any studies the costs of which [DEC] has recovered via the REPS rider. For those studies that are subject to confidentiality agreements, [DEC] shall instead list each such study or research effort and explain under what terms the results of the study are available to third parties, including specific information regarding charges and confidentiality agreements, as applicable.

2012 Order, p. 11, Commission Docket No. E-7, Sub 1008 (16 August 2012). The Commission went on to include the following directive in Ordering Paragraph No. 6:

Duke shall file in its next REPS rider application results of studies the costs of which were recovered via its REPS EMF and rider and, for those studies that are subject to confidentiality agreements, information regarding whether and how parties can access the results of those studies.

*Id.* at p. 18.

**A. THE COMMISSION SHOULD CLARIFY THAT THE FILING REQUIREMENT IT INCLUDED IN THE 2012 ORDER IS AN ONGOING REQUIREMENT AND APPLIES TO DEC'S FUTURE REPS RIDER APPLICATIONS.**

The 2012 Order – specifically the phrases “its 2013 REPS rider application” and “its next REPS rider application” within the block quotes above – could be construed to have required DEC to file its research results once in 2013 and not on an ongoing annual basis.

DEC does not appear to object to an annual reporting requirement. At the 4 June 2013 hearing, DEC Witness Byrd engaged in the following exchange:
Q: While the Order does not address [DEC]'s REPS rider applications after 2013, to your knowledge, does [DEC] have any objection to continuing with a reasonable reporting requirement in future years?
A: No. I don’t believe we would object to filing under similar requirements.


As NCSEA pointed out last year, increased transparency will promote customer and public-at-large confidence in the administration of the REPS law. In a slightly different context, the Commission has "recognize[d] the value of making more . . . information public so as to improve customer confidence in the expenditures that are being made, as well as to potentially prompt further innovations and reductions in the cost of REPS compliance." Order Approving REPS and REPS EMF Riders and 2010 REPS Compliance, p. 12, Commission Docket No. E-7, Sub 984 (23 August 2011). The same rationale applies here and counsels in favor of imposing an ongoing reporting requirement.

Given DEC’s lack of opposition to an ongoing reporting requirement and the public policy goals – including greater transparency – that would be served by such a requirement, NCSEA believes the Commission should impose such a requirement.

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3 Whether research qualifies for cost recovery has been an issue in several dockets already, see Order on 2008 REPS Compliance Report, pp. 5-6, Commission Docket No. E-43, Sub 6 (3 May 2011); Order Approving REPS and REPS EMF Riders, pp. 7-9, Commission Docket No. E-2, Sub 974 (17 November 2010), indicating the existence of a public interest in “watchdogging” subsection (h) research to make sure it is advancing the goals of the REPS law, including potentially prompting further non-utility innovations and reductions in the cost of REPS compliance.
B. IN THE EVENT THE COMMISSION IMPOSES AN ANNUAL REPORTING REQUIREMENT, DEC SHOULD BE ENCOURAGED TO MORE CLOSELY COMPLY WITH THE INSTRUCTIONS SET OUT IN THE 2012 ORDER.

With regard to its reporting on REPS-related research, the 2012 Order includes the following instructions for DEC:

For those studies that are subject to confidentiality agreements, [DEC] shall instead list each such study or research effort and explain under what terms the results of the study are available to third parties, including specific information regarding charges and confidentiality agreements, as applicable.

2012 Order at p. 11. In the event the Commission imposes an annual reporting requirement, see Argument A. supra, NCSEA believes that DEC should be encouraged to more closely comply with the instructions set out in the 2012 Order.

DEC’s 2012 report is set out within DEC Witness Byrd’s pre-filed testimony, see Tr. at pp. 56-58, and incorporates by reference Byrd Exhibits 3-6. For purposes of illustrating NCSEA’s assertion that DEC can more closely adhere to the Commission’s instructions, we will focus on a particular provision within the report. DEC’s 2012 report includes the following bullet point:

Electric Power Research Institute (EPRI) – The Company subscribes to various EPRI programs, including Wind, Solar, Biomass, and Renewable Energy Economics and Technology Status. EPRI designates such study results as proprietary or as trade secrets and licenses such results to EPRI members, including [DEC]. As such, [DEC] may not disclose the information publicly. Non-members may access these studies for a fee.

Tr. at p. 58.

NCSEA proposes that modifying/amending the bullet point as follows serves as an illustration of the type of detail that would help ratepayers better understand REPS-related expenditures and potentially help prompt further innovation and cost reductions:
Electric Power Research Institute (EPRI) – The Company subscribes to various EPRI programs, including Wind, Solar, Biomass, and Renewable Energy Economics and Technology Status including Program 84, Project Sets P84.001, P84.002, P84.003, P84.006, P84.007, and P84.008. More information about Program 84, including a description of the project sets, is attached as Byrd Exhibit X (the exhibit can be accessed electronically at http://mydocs.epri.com/docs/Portfolio/PDF/2012_P084.pdf). EPRI designates such study results the results of the project set studies as proprietary or as trade secrets and licenses such results to EPRI members, including [DEC]. As such, [DEC] may not disclose the specific results information publicly, but it has included summaries of the available results as part of Byrd Exhibit X. Non-members may access these studies for a fee. Per page 3 of the pdf cited above, the Program Manager is Stan Rosinski (704-595-2621; srosinski@epri.com). Questions about access to study results can be directed to Mr. Rosinski.

NCSEA believes such language more fully complies with the letter and spirit of the instructions in the 2012 Order for the following three reasons:

First, as to the letter of the 2012 Order, the illustrative language above “list[s] each . . . study or research effort” that DEC Witness Byrd testified was a part of DEC’s EPRI research. See Tr. at pp. 69-70.

- DEC does not appear to object to listing each study or research effort. DEC Witness Byrd testified that DEC “would be willing to provide th[is] information, upon [discovery] request, for the programs that are covered under REPS.” Tr. at pp. 71-72. When asked if DEC could forego the request and “make it available just in the report so that somebody who is a member of the public and not an intervenor and not doing discovery would have access to it[,]” he responded, “Yes. We have no objection to sharing that information.” Tr. at p. 72.

Second, as to the letter of the 2012 Order, the illustrative language above “explain[s] under what terms the results of the study are available to third parties,
including specific information regarding charges and confidentiality agreements, as applicable.”

- DEC does not appear to object to providing additional information, including contact information, so long as DEC knows the information. DEC Witness Byrd engaged in the following exchange at hearing:

  Q: And, finally, while it may be unlikely that persons will see fit to purchase access to every study result published, some persons may want to consider purchasing specific study results. To that end, in any future reports, would [DEC] be willing to provide more specific information about charges for access and who to contact or a website address with this information?
  A: We don’t know what the cost would be for other interested persons to buy reports from EPRI, so I think that’s something they would have to contact EPRI directly about. I don’t know that we’d be able to provide that information.
  Q: But you might be able to provide a contact or at least the website address generally for EPRI —
  A: Yes.
  Q: — or another organization?

  Tr. at pp. 72-73 (DEC Witness Byrd testimony).

Third and finally, as to the spirit of the 2012 Order, the illustrative language above achieves the Commission’s expressed desire “that [DEC] should be more transparent as to the results of the research that it has funded via the REPS rider” by (a) pointing interested persons to (and attaching as an exhibit) “official” information about the scope of the study that is public and non-confidential, and (b) providing any summary of confidential results that is contractually permissible for DEC.

- DEC does not appear to object to pointing interested persons to “official” publicly-available information about the scope of a study. DEC Witness Byrd engaged in the following exchange at hearing:
Q: Would you be willing to provide a web address for linking to the public EPRI program description document such as what we’re looking at in this cross exhibit, —
A: I think if those —
Q: — to the extent one is publicly available?
A: I think if one is publicly available, we could certainly provide that upon request[4] as well.


- Additionally, DEC has acknowledged that there will be instances where it can provide publicly-discloseable summaries of study reports which are themselves confidential. DEC Witness Byrd engaged in the following exchange at hearing:

  Q: If you look at your testimony at page 13 and Byrd Exhibit 4, I think the EPIC Center in Charlotte conducted high solar PV penetration research. Is that correct?
  A: That’s correct.
  Q: And Byrd Exhibit 4 is a summary of the study results. It is not the study report itself. Is that correct?
  A: Correct.
  Q: But a full study report exists, correct?
  A: That’s right.
  Q: Is that study report confidential?
  A: Yes.

I personally found the summary very helpful, and had to consult with some of our technical experts to understand the full study itself, so I think that is one of the reasons why it makes sense to not release the full report.
Q: I think you just touched on this, but where the underlying research is confidential, a summary similar to what you

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4 DEC Witness Byrd thereafter agreed that the request requirement could be foregone. See supra at page 7, first bullet point; see also Tr. at p. 72.
provided in Exhibit 4 is very helpful. Would you agree with that?
A: I agree.

Tr. at pp. 75-76 (DEC Witness Byrd testimony).

For the foregoing reasons, in the event the Commission imposes an annual reporting requirement, NCSEA believes that DEC should be encouraged to comply with the instructions set out in the 2012 Order in a manner such as that illustrated above that more closely reflects the letter and spirit of the 2012 Order.

C. IN THE EVENT THE 2012 ORDER'S REPORTING REQUIREMENT IS EXTENDED TO FUTURE YEARS, THE COMMISSION SHOULD CONSIDER EXPANDING THE SCOPE OF THE REPORTING REQUIREMENT TO INCLUDE RESEARCH THAT (1) FOCUSES PRIMARILY ON THE DEVELOPMENT OF RENEWABLE ENERGY, ENERGY EFFICIENCY, OR IMPROVED AIR QUALITY, (2) IS FUNDED BY RATEPAYERS OUTSIDE OF THE REPS RIDER, BUT (3) WOULD COLORABLY QUALIFY FOR COST RECOVERY UNDER THE REPS RIDER IF DEC CHOSE TO PURSUE THIS OPTION FOR COST RECOVERY.

In the event the 2012 Order's reporting requirement is extended to future years, the Commission should consider expanding the scope of the reporting requirement to include research that (1) focuses primarily on "the development of renewable energy [and] energy efficiency[,]" (2) is funded by ratepayers outside of the REPS rider, but (3) would colorably qualify for cost recovery under the REPS rider if DEC chose to pursue this option for cost recovery. As illustrated by the example below, NCSEA believes an expansion of the reporting requirement would serve at least one and possibly two important public policy goals: It would advance the Commission-recognized "value of making more . . . information public so as to improve customer confidence in the

expenditures that are being made, as well as . . . potentially prompt further innovations and reductions in the cost of REPS compliance.” Order Approving REPS and REPS EMF Riders and 2010 REPS Compliance, p. 12, Commission Docket No. E-7, Sub 984 (23 August 2011); see Order Granting in Part and Denying in Part Motion for Disclosure, p. 13, Commission Docket No. E-100, Sub 137 (3 June 2013) (“The IOUs have an obligation under Senate Bill 3 to meet their REPS requirements in the most reasonable and prudent manner under the circumstances. In order to assist the IOUs in satisfying this obligation, the Commission must regulate them in a manner that maximizes their ability to secure resources at favorable prices and terms and at the same time, recognizes and supports the right of the public to scrutinize their activities.”) (emphasis added).

During last year’s REPS cost recovery proceeding for DEC – see generally Commission Docket No. E-7, Sub 1008 – DEC indicated in a discovery response that it projected it would incur REPS-related research costs in connection with EPRI Program 174. See Official Exhibits of Hearing June 4, 2013, (Raleigh) - NCSEA Byrd/Williams Cross Exh. 1, p. 31, Commission Docket No. E-7, Sub 1034 (12 June 2013) (copy of the DEC response to 2012 NCSEA data request). EPRI Program 174 is entitled “Integration of Distributed Renewables.” Id. at p. 33. Program 174’s 2012 research activities included, inter alia, “develop[ing] screening tools, criteria and guidelines for increasing penetration of renewable generation in existing radial and network distribution, as well as future circuit functional requirements[,] . . . [e]valuat[ing] communication interfaces for distribute[d] energy resources (DER) and advanced metering infrastructure (AMI) with inverters, . . . [and a]ssessing photovoltaic (PV) system installation, maintenance, and
asset management issues and apply[ing] O&M knowledge and develop[ing] utility best practices.” *Id.* at p. 34.

At the 4 June 2013 hearing, DEC Witness Byrd engaged in the following exchanges:

Q: Okay. In last year’s proceeding, I think there was mention at a point of an EPRI Program 174. I think I have learned that while [DEC] may be participating in EPRI Program 174, [DEC] is not seeking to recover for that program under the REPS rider. Is that correct?
A: That’s right. We do subscribe to that program, as we do to a host of other programs with EPRI. I believe that program is paid for or managed out of our delivery organization.

Tr. at pp. 69-70.

Q: My next question, I want to ask about you mentioned EPRI Program 174. You indicated that that is a program that [DEC] might subscribe to, but it is not something [DEC] is seeking cost recovery for in this proceeding. If you would, turn to pages 34 to 36 of [NCSEA Byrd/Williams Cross Exh. 1]. And I will ask you this question subject to check, but as I read these pages, this is the 2012 174 research, or a part of it, indicates that EPRI was also doing some research about high PV penetration and modeling results.
A: Yes, subject to check.
Q: To your knowledge, are the results of that research, that EPRI research, consistent with the UNC Charlotte [high PV penetration] results?
A: I don’t know. I have not reviewed the results of the reports from 174. Again, that’s managed out of our power delivery group and I would have to consult with those folks.

Tr. at pp. 80-81.

NCSEA believes DEC has the discretion to choose how it will seek cost recovery for its research. That said, EPRI Program 174 serves as an example of research that (1) focuses primarily on the development of renewable energy and energy efficiency, (2) is funded by ratepayers outside of the REPS rider, but (3) would colorably qualify for cost recovery under the REPS rider if DEC chose to pursue this option for cost recovery.
Another likely example of this type of research is the “comprehensive study seeking to identify and, where possible, quantify potential benefits and costs of solar generation across the entire generation, transmission and distribution systems” of DEC and Duke Energy Progress, Inc.\(^6\) *Duke Energy and Duke Energy Progress' Verified Responses to 5-3-13 Order,* p. 6, Commission Docket No. E-100, Sub 137 (10 June 2013) (response to Request No. 4).

These two research efforts are examples of exactly the type of renewable energy-related research that ought to be annually reported on so as to “support[] the right of the public to scrutinize [DEC’s] activities.” *Order Granting in Part and Denying in Part Motion for Disclosure,* p. 13, Commission Docket No. E-100, Sub 137 (3 June 2013). The Commission could best support the public’s right to scrutinize by requiring DEC to report not only on REPS-related research for which it is seeking cost recovery via the REPS rider but also on REPS-related research for which it could seek cost recovery via the REPS rider. The public should not be put to the task of ferreting out DEC’s REPS-

\(^6\) DEC indicated in its 10 June 2013 verified response that it is “currently initiating” this study but does not indicate in this proceeding that it will seek to recover for it during the billing period despite the fact that the study is clearly research related to the development of renewable energy. Interestingly, absent the 2012 Order and its reporting requirement, the fact that DEC is initiating this study – which will yield results that will “be incorporated into the resource planning and avoided cost processes” and “net metering” – may not have become public knowledge. It was DEC’s summary of UNC Charlotte’s high PV penetration study in this proceeding that prompted the Commission to ask about the implications of the UNC Charlotte study in the 2012 IRP proceeding, which in turn prompted DEC to disclose the solar cost benefit study that it has initiated. The value of this solar cost benefit study to REPS compliance is clear – as DEC Witness Byrd testified at hearing: “[W]e have to look at these transactions [– i.e., buying renewable energy and RECs –] in total, and so for us to do proper analysis of potential transactions, we really need to understand the total cost benefits of renewables into our system[,]” Tr. at p. 104; see Tr. at pp. 113-114 (In response to a question about DEC’s next steps following the UNC Charlotte study, DEC Witness Byrd stated, “I think we are going to be pursuing studies across our generation fleet and the impacts there, the transmission system and the distribution system.”).
related research efforts – scrutinizing DEC’s activities is complicated enough without introducing a "find it" factor into the equation.

For the foregoing reasons, in the event the 2012 Order’s reporting requirement is extended to future years, the Commission should consider expanding the scope of the reporting requirement to include research that (1) focuses primarily on the development of renewable energy and energy efficiency, (2) is funded by ratepayers outside of the REPS rider, but (3) would colorably qualify for cost recovery under the REPS rider if DEC chose to pursue this option for cost recovery.

**DEC’S REPS COMPLIANCE REPORT**

The Commission should direct DEC to refile its REPS compliance plan without the redaction of the information that was disclosed publicly during the 4 June 2013 hearing.

Commissioner Culpepper engaged DEC Witness Byrd in the following exchanges about redacted items in DEC’s REPS compliance plan:

Q: . . . I’m looking at line number 1 on page 1 of that exhibit[—i.e., the 13 March 2013 version of Byrd Exhibit No. 2.] First of all, the renewable resource that’s described in that line, is that confidential? Is that proprietary information, the description of it?
A: I don’t believe so. It’s the solar distributed generation.
Q: All right. Well, you read it out, so it must not be proprietary. Is that the 10-MW facility that this Commission authorized the utility to build a self-generation project back in 2009.

Tr. at p. 106.

Q: Okay. . . . Let’s go to page 2 of that exhibit, Mr. Byrd, and I’m looking at line 64.
A: (Mr. Byrd) Yes.
Q: Are you with me? Okay. Now, again, the description of the rural resource, I take it that is not proprietary.
A: I think for—trying to remember if all the other counterparty names—this is a Duke owned line item again, so we can discuss that. I think for some of the others, those might be confidential.

Q: Okay. Well, this is the co-firing[7] facilities Buck and Lee. Is that right?
A: Correct.

Tr. at p. 109.

The Commission recently noted that “once information is disclosed to the public it is no longer confidential information. That is, it cannot be wiped from the public domain or returned to its previously confidential status.” Order Granting in Part and Denying in Part Motion for Disclosure, p. 8, Commission Docket No. E-100, Sub 137 (3 June 2013). For this reason, NCSEA believes the Commission should direct DEC to refile its REPS compliance plan revising its redactions to reflect the information that was made public at hearing.

CONCLUSION

NCSEA does not challenge herein as unreasonable or imprudently incurred any costs DEC seeks to recover in its REPS rider application. NCSEA does, however, pray the Commission require DEC to continue reporting on REPS-related research for which it seeks cost recovery under the REPS rider (a) on an annual basis and (b) in conformity, content-wise, with the Commission’s 2012 directive. NCSEA also prays the Commission require DEC to report on REPS-related research in its annual REPS rider application even if DEC chooses to seek cost recovery for the research elsewhere. Finally, with regard to DEC’s REPS compliance plan, NCSEA prays the Commission direct DEC to

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7 DEC Witness Byrd later confirmed that these facilities were “[c]o-firing wood waste[.]” Tr. at p. 110.
refile its REPS compliance report without redaction of the information DEC made public during the 4 June 2013 hearing in this matter.

spectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing Post-Hearing Brief 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 12th day of July, 2013.

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