



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

July 31, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. E-2, Sub 1219 – Application of Duke Energy Progress, LLC for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina

Dear Ms. Campbell:

In connection with the above-referenced docket, we transmit herewith for filing on behalf of the Public Staff the testimony of Michael C. Maness, Director, Accounting Division, supporting a second partial settlement.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Elizabeth D. Culpepper
Staff Attorney
elizabeth.culpepper@psncuc.nc.gov

/s/ William E. Grantmyre
Staff Attorney
william.grantmyre@psncuc.nc.gov

Attachment

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Jul 31 2020

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1219

In the Matter of)	
Application of Duke Energy Progress,)	TESTIMONY OF
LLC, for Adjustment of Rates and)	MICHAEL C. MANESS
Charges Applicable to Electric Utility)	PUBLIC STAFF – NORTH
Service in North Carolina)	CAROLINA UTILITIES
)	COMMISSION
)	SUPPORTING SECOND
)	PARTIAL STIPULATION

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-2, SUB 1219

**Testimony of Michael C. Maness Supporting Second Partial
Stipulation**

On Behalf of the Public Staff

North Carolina Utilities Commission

July 31, 2020

1 **Q. MR. MANESS, WHAT IS THE PURPOSE OF YOUR TESTIMONY**
2 **IN SUPPORT OF THE SECOND PARTIAL STIPULATION IN THIS**
3 **PROCEEDING?**

4 A. The purpose of my testimony is to support the Second Agreement
5 and Stipulation of Partial Settlement (Second Partial Stipulation) filed
6 on July 31, 2020 between Duke Energy Progress, LLC (DEP or the
7 Company) and the Public Staff (Stipulating Parties) regarding certain
8 issues related to the Company's pending application for a general
9 rate increase.

10 **Q. PLEASE BRIEFLY DESCRIBE THE SECOND PARTIAL**
11 **STIPULATION.**

1 A. The Second Partial Stipulation sets forth agreement between the
2 Stipulating Parties regarding the following revenue requirement and
3 rate issues:

- 4 (1) Return on Equity, Capital Structure, and Debt Cost.
- 5 (2) Update of revenues, rate base, and expenses to May 31, 2020
6 (subject to further Public Staff investigation).
- 7 (3) Return of unprotected federal excess deferred income taxes
8 (EDIT) due to the Tax Cuts and Jobs Act to customers.
- 9 (4) Return of North Carolina state EDIT due to reduction in state
10 tax rates.
- 11 (5) Treatment of federal deferred revenue due to the Tax Cuts
12 and Jobs Act.
- 13 (6) Amortization period for Non-Asset Retirement Obligation
14 (ARO) coal ash costs.
- 15 (7) The Company's Grid Improvement Plan (GIP) (revenue
16 requirement effects only in future cases).
- 17 (8) Cost of service allocation methodology.
- 18 (9) Rate design.
- 19 (10) Nuclear Decommissioning annual funding.
- 20 (11) The process to be used to determine the base fuel factor in
21 this proceeding.

22 In addition to the settled issues having a revenue requirement impact
23 in the present case, the Second Partial Stipulation also settles non-
24 revenue requirement issues involving additional cost of service
25 studies, a rate design study, affordability, and audit and reporting
26 obligations.

27 The details of the agreements in these areas are set forth in the
28 Second Partial Stipulation.

29 **Q. WHAT BENEFITS DOES THE SECOND PARTIAL STIPULATION**
30 **PROVIDE FOR RATEPAYERS?**

1 A. From the perspective of the Public Staff, the most important benefits
2 provided by the Second Partial Stipulation are as follows:
3 (a) A significant reduction in the Company's proposed revenue
4 increase in this proceeding; and
5 (b) The avoidance of protracted litigation between the Stipulating
6 Parties before the Commission and possibly the appellate
7 courts.
8 Based on these ratepayer benefits, as well as the other provisions of
9 the Second Partial Stipulation, the Public Staff believes the Second
10 Partial Stipulation is in the public interest and should be approved.

11 **Q. ARE THERE ANY AREAS ABOUT WHICH THE STIPULATING**
12 **PARTIES DID NOT REACH AGREEMENT?**

13 A. Yes. The Stipulating Parties did not reach agreement regarding
14 recovery of ARO-related coal ash costs; depreciation rates, including
15 the Company's proposal to shorten the lives of certain coal-fired
16 generating facilities; and any other revenue requirement or non-
17 revenue requirement issue not specifically addressed in the
18 Stipulations, or agreed upon in the testimony of the Stipulating
19 Parties. The Public Staff fully supports its filed positions on these
20 particular issues, and intends to demonstrate the appropriateness
21 and reasonableness of its positions through litigation in this case.

1 **Q. WILL THE PUBLIC STAFF BE PRESENTING ITS CALCULATION**
2 **OF THE REVENUE REQUIREMENT INCLUDING THE IMPACTS**
3 **OF THE SECOND PARTIAL STIPULATION?**

4 A. Yes. Once the Public Staff has completed the audit of all revenue,
5 rate base, and expense updates through May 31, 2020, the Public
6 Staff will file schedules supporting the Public Staff's recommended
7 revenue requirement. I note that it is not until the Commission makes
8 a determination regarding the yet unresolved issues, and the results
9 of the Public Staff's audit, that the settled accounting and ratemaking
10 adjustments can be finalized, and the resulting rate base, net
11 operating income, return, and rate increase be calculated.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes, it does.