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August 7, 2020

**VIA ELECTRONIC FILING**

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

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

Dear Ms. Campbell:

Enclosed for filing in the above-referenced docket on behalf of Duke Energy Progress, LLC (“DE Progress or the “Company”) are its *Motion for Approval of Notice Required to Implement Temporary Rates and Motion for Approval of Undertaking*. Per this filing, in accordance with N.C. Gen. Stat. § 62-135, DE Progress is seeking to exercise its statutory right to implement temporary rates subject to refund.

Early in the pandemic, the Company implemented a sweeping series of steps to help our customers, given the financial burdens they were about to face from this health crisis. The Company stopped disconnecting service for non-payment, for example, and waived certain fees, helping provide some measure of relief to customers in these anxious times. It was in that spirit that DE Progress also proactively sought to delay its North Carolina rate case – and a potential rate increase needed to cover investments made to ensure the highest quality of service to our customers. As a result, new rates will go into effect much later than originally planned. That delay was the right choice at a challenging time, but it has also left the Company with a financial gap.

To address this unprecedented situation, the Company is proposing a solution that recognizes the conditions of our customers, while maintaining the financial health of the Company. By also requesting approval to flow back to customers the impacts of federal tax reform prior to the Commission’s final determination in this case, DE Progress will offset new temporary rates – resulting in a net-zero bill increase for almost all customers. This allows the Company to realize some returns on important investments based on the interim base rates, while not impacting most customer bills.

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Kimberley A. Campbell, Chief Clerk

August 7, 2020

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Thank you for your assistance with this matter. Feel free to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Camal O. Robinson', with a stylized, overlapping loop structure.

Camal O. Robinson

Enclosures

cc: Parties of Record

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-2, SUB 1219

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	<b>MOTION FOR APPROVAL</b>
	)	<b>OF UNDERTAKING</b>
Application of Duke Energy Progress, LLC for	)	<b>REQUIRED BY N.C. GEN.</b>
Adjustment of Rates and Charges Applicable to	)	<b>STAT. § 62-135(c) TO</b>
Electric Service in North Carolina	)	<b>IMPLEMENT TEMPORARY</b>
	)	<b>RATES, SUBJECT TO</b>
	)	<b>REFUND</b>

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NOW COMES Duke Energy Progress, LLC (“DE Progress” or “Company”), pursuant to North Carolina General Statute (“N.C. Gen. Stat.”) § 62-135 and Rule R1-7 of the rules and regulations of the North Carolina Utilities Commission (“Commission”), and requests the Commission issue an Order approving the Company’s undertaking included as Attachment A to this Motion (“Undertaking”), including implementation of the temporary Excess Deferred Income Tax (“EDIT”) EDIT-2 Rider to become effective, on or after September 1, 2020, and grant any other relief the Commission determines necessary for DE Progress to implement temporary rates. The Commission’s approval of the Company’s Undertaking, notice to the Commission of the Company’s intent to place temporary rates into effect, and notice to the Company’s customers via publication<sup>1</sup> (the “Notice”), respectively, satisfy the procedural requirements of N.C. Gen. Stat. § 62-135 to implement temporary rates.

The temporary rates to be recovered, subject to refund, through the interim rates and charges planned to become effective on or after September 1, 2020, are based on and

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<sup>1</sup> Contemporaneous with filing this Motion, the Company has also filed an updated proposed final form of the notice for publication in this docket.

consistent with the base rate component of the Second Agreement and Stipulation of Partial Settlement (“Second Partial Settlement”) with the Public Staff filed on July 31, 2020. The temporary rates to be recovered, subject to refund, exclude the following litigated items: the recovery of deferred coal ash compliance costs subject to asset retirement obligation accounting and implementation of new depreciation rates. The Company will not begin the amortization or implementation of these items until a final order is issued in the rate case and new permanent base rates are implemented. These items will also be excluded when determining whether a refund of amounts collected through these temporary rates is needed. In addition, the Company also seeks authorization to place a temporary EDIT-2 Rider into effect on or after September 1, 2020, to offset the effect of the temporary rate increase in light of the COVID-19 Pandemic. The temporary EDIT-2 Rider is separate from and not representative of the EDIT-2 Rider proposed in the rate case and is not based on the terms agreed to in the Second Partial Settlement. The temporary EDIT-2 Rider will expire and the proposed EDIT-2 Rider consistent with the Second Partial Settlement, if approved by the Commission, will be implemented and effective once an order is received and permanent rates are implemented in this case. The proposed EDIT-2 Rider will be adjusted for EDIT returned through the temporary EDIT-2 Rider as shown in Smith Second Partial Settlement Exhibit 4.

DE Progress respectfully requests the Commission approve the Undertaking on or before August 14, 2020, in order for the Company to implement these new rates and changes on or after September 1, 2020. The Public Staff has reviewed and provided input to the Undertaking proposed herein, and does not object to its form or DE Progress’ request in this Motion.

In support of this Motion, the Company states the following:

1. On October 30, 2019, DE Progress filed its Application to Adjust Retail Rates, Request for An Accounting Order and to Consolidate Dockets with the Commission pursuant to N.C. Gen. Stat. §§ 62-133 and 62-134 requesting authority to adjust and increase its general rates and charges for retail electric service in North Carolina, effective November 29, 2019 (“Application”). The Application requested a base rate increase in the Company’s retail revenues of approximately \$585.9 million. The Application explained that the requested increase is partially offset by additional rider adjustments, including (a) a net rate reduction of \$120.2 million to refund certain tax benefits resulting from the 2017 Federal Tax Cuts and Job Act (the “Tax Act”) and the reduction in North Carolina’s state-corporate tax rate, through a change to the existing EDIT-1 Rider and the proposed implementation of a new EDIT-2 Rider; and (b) a rate reduction of \$2.1 million related to the proposed Regulatory Asset and Liability Rider, which results in a proposed net revenue increase of \$463.6 million, or approximately 12.3 percent. In addition, the Application notified the Commission of the Company’s intent to update its Application with estimates of changes to revenues, expenses, rate base, and cost of capital up to the time the hearing is closed. Presuming the Commission may suspend the proposed rates, DE Progress requested that rates become effective by no later than September 1, 2020.

2. On November 14, 2019, the Commission issued its *Order Establishing General Rate Case, and Suspending Rates*, which, declared this proceeding to be a general rate case and suspended the proposed rates for up to 270 days.

3. On December 6, 2019, the Commission issued its *Order Scheduling Investigation and Hearings, Establishing Intervention and Testimony Due Dates, and*

*Discovery Guidelines, and Requiring Public Notice*, which, among other things, required the Company's updates to its actual revenues, expenses, rate base, and cost of capital for the period ending February 29, 2020 to be filed on or before March 13, 2020. The order also scheduled an evidentiary hearing on the Company's Application for May 4, 2020.

4. On March 10, 2020, Governor Roy Cooper issued Executive Order No. 116 declaring a State of Emergency in North Carolina to coordinate response and protective actions to prevent the spread of the novel coronavirus (COVID-19). In so doing, the Governor ordered state agencies to cooperate in the implementation of the provisions of the Executive Order. By subsequent executive orders, the Governor restricted non-essential movement of the State's residents and, ultimately, prohibited mass gatherings of more than 10 persons to limit the spread of COVID-19 (the "COVID-19 Pandemic").

5. On March 13, 2020, the Company filed its Supplemental Testimony and Exhibits of Shana W. Angers, Supplemental Testimony and Exhibits of Kimberly D. McGee, Supplemental Testimony and Exhibits of Michael J. Pirro, and Supplemental Testimony and Exhibits of Kim H. Smith. The Company's testimony, among other things, provided updates to DE Progress' base fuel factors, but explained that these updates did not affect the Company's requested rate increase.

6. On March 24, 2020, in response to a request by the Public Staff for an extension of time to file testimony, the Commission issued an *Order Suspending Procedural Schedule and Continuing Hearing sua sponte* suspending the procedural schedule and continuing the expert witness hearing scheduled to begin on May 4, 2020, due to the continuing uncertainty surrounding the COVID-19 Pandemic.

7. On April 3, 2020, DE Progress filed a motion requesting that the Commission issue an order addressing several procedural issues, including ordering the partial resumption of the procedural schedule. The Company's motion also gave notice of its prospective waiver of its right to seek to implement its original proposed rates by operation of N.C.G.S. § 62-134(b) in the event that the postponement of the hearing renders it infeasible for the Commission to issue an order prior to the rate suspension period under N.C.G.S. § 62-134, subject to the Company's right to implement temporary rates under N.C. Gen. Stat. § 62-135 and to seek appropriate accounting treatment relief thereof.

8. On April 7, 2020, the Commission issued its *Order Addressing Procedural Matters*, which, among other things, found good cause to partially resume the procedurally schedule in this case and accept DE Progress' prospective waiver of its right to seek to implement its original proposed rates by operation of N.C. Gen. Stat. § 62-134(b) in the event that the postponement of the hearing renders it infeasible for the Commission to issue an order prior to the rate suspension period under N.C. Gen. Stat. § 62-134.

9. On May 6, 2020, the Public Staff, Duke Energy Carolinas, LLC ("DE Carolinas") and DE Progress jointly moved for the Commission to issue an order scheduling one consolidated evidentiary hearing to consider the companies' rate case applications

10. On June 2, 2020, the Company filed a Partial Settlement Agreement with the Public Staff. The Company also filed its Settlement Supporting Testimony of Stephen G. De May and Kim H. Smith. The testimony supporting the Partial Settlement Agreement with the Public Staff requested an updated revenue increase from base rates of \$412.8 million. In addition, the Company requested that customer rates be reduced by \$91 million

through its proposed riders, resulting in an updated net proposed increase in revenue of \$321.6 million. This updated revenue increase resulted in a \$142.0 million reduction from the amount proposed in the Company's Application.

11. On June 17, 2020, the Commission issued its *Order Adopting Procedures for Expert Witness Hearings* in the present docket and in Docket No. E-7, Sub 1214, the general rate case application of DE Carolinas. Among other things, the order scheduled a consolidated expert witness hearing to commence on July 27, 2020, for the purpose of considering testimony on topics for which the evidence is identical in both the DE Carolinas and DE Progress cases, to be followed by a separate DE Carolinas hearing and separate DE Progress hearing.

12. On June 22, 2020, DE Progress filed a Petition for an Accounting Order to Defer Impacts of its Suspended Rate Case in Lieu of Implementing Temporary Rates Under Bond. DE Progress' petition explained that the delay in its opportunity to place new, permanent rates into effect due to the COVID-19 Pandemic impairs its ability to begin collecting sufficient revenues to recover its costs incurred since 2018 to provide safe and reliable electric service to its customers, thereby potentially causing material financial harm to the Company.<sup>2</sup> The petition noted that one mechanism to address the negative financial consequences is through the implementation of temporary rates pursuant to N.C. Gen. Stat. § 62-135, but explained that because of the COVID-19 Pandemic and its economic impacts, DE Progress views temporary rates as a last resort. In lieu of instituting temporary rates, the Company therefore requested that the Commission allow it to establish

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<sup>2</sup> The Company explained that the longer the regulatory lag in granting the Company's requested increase, the more detrimental the impact will be on the Company's financial condition.



a regulatory asset/liability account to record the difference between revenues under present rates and those that would be collected from implementing temporary rates under bond.

13. On July 2, 2020 DE Progress filed its Second Supplemental Direct Testimony and Exhibits of Kim H. Smith and Second Supplemental Direct Testimony of Michael J. Pirro updating its proposed revenue requirement to incorporate known and measurable changes through May 31, 2020, as permitted by N.C. Gen. Stat. § 62-133(c). Subsequently, on July 9, 2020, DE Progress filed Corrections to the Second Supplemental Direct Testimony and Exhibits of Kim H. Smith. The Company's testimony explained that, if the Commission approved several settlements with certain intervenors, DE Progress requests a revenue increase from base rates of \$389.4 million.<sup>3</sup> In addition, the Company requested that customer rates be reduced by \$79.8 million through its two proposed EDIT riders and Regulatory Asset and Liability rider. As a result of these updates, the Company proposed a net increase in revenue of \$309.6 million, \$154.0 million less than the amount initially proposed in the Company's Application.

14. On July 10, 2020, the Commission issued its *Order Denying Deferral of Revenue*, denying the Company's Petition for an Accounting Order to Defer Impacts of its Suspended Rate Case in Lieu of Implementing Temporary Rates Under Bond. The Commission found that there was not good cause to approve DE Progress' use of deferral accounting and stating that "the legislature has provided a mechanism for utilities to

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<sup>3</sup> On July 9, 2020, the Company filed Corrections to the Second Supplemental Direct Testimony and Exhibits of Kim H. Smith, correcting errors in the Second Supplemental Direct Testimony and Exhibits of Kim H. Smith filed on July 2, 2020. The figures listed above in Paragraph Thirteen (13) reflect the corrections filed on July 9, 2020.

temporarily adjust rates during the pendency of a general rate case pursuant to N.C.G.S. 62-135.”<sup>4</sup>

15. On July 27, 2020, the Company, together with DE Carolinas and the Public Staff filed a Joint Motion to Postpone Hearing and Additional Procedural Deadlines. On that same day, the Commission issued its *Order Granting Joint Motion and Further Rescheduling Consolidated, Remote Hearing* rescheduling the consolidated, remote hearing in the above-captioned proceeding to begin on August 24, 2020.

16. On July 31, 2020, the Company filed the Second Partial Settlement with the Public Staff. Pursuant to the Second Partial Settlement, the Company is requesting an updated revenue increase from base rates of approximately \$409 million, to be reduced by \$147 million through its proposed riders. These updated rates result in an approximate net proposed increase in revenue of \$262 million, a \$202 million reduction from the amount proposed in the Company’s Application.

17. N.C. Gen. Stat. § 62-135(a) authorizes a public utility to place proposed rates into effect on a temporary basis, upon the expiration of six months after the date when such rates would have become effective, if not so suspended.<sup>5</sup> The temporary rate authority granted to public utilities in N.C. Gen. Stat. § 62-135 is subject to the approvals, parameters, and requirements of N.C. Gen. Stat. § 62-135(a)-(d).

18. The Company’s Undertaking committing to make refund of any over-recovery received under temporary rates complies with N.C. Gen. Stat. § 62-135(c), and is consistent with the form of undertaking approved by the Commission’s *Order Approving*

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<sup>4</sup> *Order Denying Deferral of Revenue*, at 5, Docket No. E-2, Sub 1219 (July 10, 2020).

<sup>5</sup> September 1, 2020 is at least six months after November 29, 2019, which is the date that DE Progress proposed its new rates and charges would become effective, unless suspended by the Commission.

*Financial Undertaking*, issued October 18, 2018, in Docket No. E-22, Sub 562. If temporary rates are determined to be excessive, the Company's Undertaking commits to make refund of the excess plus interest to its customers, consistent with terms and conditions required by the Commission's final Order in this case. N.C. Gen. Stat. § 62-135(d).

19. The Public Staff has reviewed the Undertaking proposed herein, and does not object to its form or DE Progress' request in this Motion.

WHEREFORE, Duke Energy Progress, LLC respectfully requests that the Commission approve the Company's Undertaking, included as Attachment A to this Motion, on or before August 14, 2020; authorize the Company to place temporary EDIT-2 Rider into effect on or after September 1, 2020; and provide any further relief the Commission deems necessary and appropriate.

Respectfully submitted, this the 7<sup>th</sup> day of August, 2020.

/s/Mary Lynne Grigg  
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ATTORNEYS FOR DUKE ENERGY  
PROGRESS, LLC

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. E-2, SUB 1219

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application of Duke Energy Progress, LLC For	)	UNDERTAKING OF
Adjustment of Rates and Charges Applicable to	)	DUKE ENERGY
Electric Service in North Carolina	)	PROGRESS, LLC
	)	

NOW COMES Duke Energy Progress, LLC ("Applicant"), and files this Undertaking as follows:

UNDERTAKING

The Applicant, by and through its undersigned executive officer, makes its written undertaking to the North Carolina Utilities Commission that it will refund to its customers any amount of temporary rates made effective on or after September 1, 2020 pursuant to N.C. Gen. Stat. § 62-135, plus 10% interest per annum, that may be finally determined by the Commission to be excessive and is required by Final Order of the Commission in this docket. Such refund will be made consistent with any terms and conditions requested by the Commission's Final Order.

This 3<sup>th</sup> day of August 2020.

By: Stephen G. De May  
Stephen G. De May  
North Carolina President, Duke Energy Progress,  
LLC

\_\_\_\_\_  
STATE OF NORTH CAROLINA

City of Raleigh

)  
)  
)

to wit:

The foregoing instrument was sworn to and acknowledged before me this 3rd  
day of August 2020.

Virginia H. Duncan  
Notary Public

My commission expires: December 10, 2023

