

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. E-7, SUB 1231

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Duke Energy Carolinas, LLC,	)	ORDER APPROVING CPRE
for Approval of CPRE Cost Recovery Rider	)	RIDER AND CPRE PROGRAM
Pursuant to N.C.G.S. § 62-110.8 and	)	COMPLIANCE REPORT
Commission Rule R8-71	)	

HEARD: Tuesday, June 9, 2020, at 9:30 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

Tuesday, June 9, 2020, at 1:00 p.m., remotely via WebEx

BEFORE: Commissioner Kimberly W. Duffley, Presiding; Chair Charlotte A. Mitchell; and Commissioners ToNola D. Brown-Bland, Lyons Gray, Daniel G. Clodfelter, Jeffrey A. Hughes, Floyd B. McKissick, Jr.

APPEARANCES:

For Duke Energy Carolinas, LLC:

Jack Jirak, Associate General Counsel, Duke Energy Corporation, NCRH 20/  
P.O. Box 1551, Raleigh, North Carolina 27602-1551

For Carolinas Industrial Group for Fair Utility Rates III (CIGFUR):

Warren K. Hicks, Bailey & Dixon, LLP, 434 Fayetteville Street, Suite 2500,  
Raleigh, North Carolina 27601

For North Carolina Sustainable Energy Association (NCSEA):

Benjamin Smith, Regulatory Counsel, 4600 Six Forks Road, Suite 300,  
Raleigh, North Carolina 27609

For the Using and Consuming Public:

Layla Cummings and Tim Dodge, Public Staff–North Carolina Utilities  
Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4300

BY THE COMMISSION: North Carolina General Statutes Section 62-110.8(g) and Commission Rule R8-71 require the Commission to conduct an annual proceeding to

review costs incurred or anticipated to be incurred by an electric public utility to comply with the Competitive Procurement of Renewable Energy (CPRE) Program pursuant to N.C.G.S. § 62-110.8 and an annual compliance report filed by the electric public utility pursuant to Rule R8-71(h).

On February 25, 2020, Duke Energy Carolinas, LLC (DEC or Company), filed an application pursuant to N.C.G.S. § 62-110.8 and Commission Rule R8-71 for Approval of CPRE Compliance Report and CPRE Cost Recovery Rider, along with the direct testimony and exhibits of Bryan L. Sykes, Rates and Regulatory Manager, and Phillip H. Cathcart, Compliance Manager with the Business & Compliance Department.

On March 17, 2020, the Commission issued an Order Scheduling Hearing, Requiring Filing of Testimony, Establishing Discovery Guidelines, and Requiring Public Notice in which the Commission set this matter for hearing; established deadlines for the submission of intervention petitions, intervenor testimony, and DEC rebuttal testimony; required the provision of appropriate public notice; and mandated compliance with certain discovery guidelines.

Petitions to intervene were filed by CIGFUR on March 19, 2020; by NCSEA on March 23, 2020; and by CUCA on May 8, 2020. The Commission granted CIGFUR's petition to intervene on March 23, 2020, NCSEA's petition to intervene on March 24, 2020, and CUCA's petition to intervene on May 12, 2020. The intervention of the Public Staff is recognized pursuant to N.C.G.S. § 62-15(d) and Commission Rule R1-19(e).

On May 15, 2020, DEC filed the supplemental testimony and exhibits of witnesses Sykes and Cathcart. The supplemental testimony of witness Sykes presented revised rates reflecting the impacts related to four updates to numbers presented in his direct exhibits and workpapers, which resulted in lower customer rates for the billing period. The supplemental testimony of witness Cathcart included the DEC CPRE Compliance Report for calendar year 2019 as Cathcart Revised Exhibit No. 1.

On May 18, 2020, the Public Staff filed the testimony of Michael C. Maness, Director of the Public Staff Accounting Division, and Jeff Thomas, an engineer in the Public Staff Electric Division.

On May 28, 2020, DEC filed the rebuttal testimony of Bryan L. Sykes.

On May 29, 2020, the Commission issued an Order Scheduling Remote Hearings for Expert Witness Testimony due to the COVID-19 pandemic. All parties subsequently filed consent to remote hearings.

On June 2, 2020, DEC filed a motion to excuse all Company and Public Staff witnesses.

On June 4, 2020, the Commission issued an Order Granting Motion to Excuse Witnesses to excuse the DEC and Public Staff witnesses from appearing at the expert

witness hearing and to allow the introduction into evidence of the prefiled testimony and exhibits of each witness at the evidentiary hearing.

On June 5, 2020, and June 25, 2020, DEC filed affidavits of publication indicating that the public notice had been provided in accordance with the Commission's procedural order.

The case came on for hearing as scheduled on June 9, 2020. The application, prefiled direct and supplemental testimonies, and workpapers and exhibits of DEC's witnesses and the testimony of the Public Staff's witnesses were received into evidence. No other party presented witnesses or exhibits, and no public witnesses appeared at the hearing.

On June 25, 2020, the Commission issued a notice requiring that briefs and proposed orders be filed by July 24, 2020.

On July 24, 2020, DEC and the Public Staff filed a joint proposed order. DEC and the Public Staff also both filed separate or additional findings of fact on the issue of cost allocation among the jurisdictions.

Based upon the Company's verified application, the testimony, workpapers and exhibits received into evidence at the hearing, and the record as a whole, the Commission makes the following

### **FINDINGS OF FACT**

1. DEC is duly organized as a limited liability company existing under the laws of the State of North Carolina; is engaged in the business of developing, generating, transmitting, distributing, and selling electric power to the public in North Carolina; and is subject to the jurisdiction of the Commission as a public utility. DEC is lawfully before this Commission based upon its application filed pursuant to N.C.G.S. § 62-110.8 and Commission Rule R8-71.

2. The test period for purposes of this proceeding is the 29 months ended December 31, 2019 (test period). The billing period for this proceeding is the 12-month period beginning September 1, 2020, and ending August 31, 2021.

3. In its application and its direct and supplemental testimony (including workpapers and exhibits) in this proceeding, DEC requested recovery of \$1,138,297 of test period charges incurred to implement the CPRE Program. There were no purchased or generated power costs during the test period. The test period charges requested by DEC were used to determine its proposed Experience Modification Factor (EMF) rider and consisted solely of CPRE Program implementation costs experienced during the test period. DEC allocated 100% of the implementation charges to the North Carolina retail jurisdiction. Since this was the first CPRE Program rider filing made to comply with N.C.G.S. § 62-110.8 and Commission Rule R8-71, the full amount of test period charges was under-recovered.

4. The Company's implementation charges for the test period were reasonably and prudently incurred.

5. It is reasonable and appropriate to allocate system-level implementation costs to the North Carolina retail, South Carolina retail, and wholesale jurisdictions for purposes of calculating the rates for the Rider CPRE billing period and CPRE EMF test period rather than directly assigning 100% of the system-level CPRE Program implementation costs to North Carolina retail customers.

6. The North Carolina retail test period sales, adjusted for customer growth and weather, for use in calculating the EMF are 58,622,538 MWh. The adjusted North Carolina retail customer class MWh sales are as follows:

<u>N.C. Retail Customer Class</u>	<u>Adjusted MWh Sales</u>
Residential	22,444,481
General Service/Lighting	23,688,549
<u>Industrial</u>	<u>12,489,508</u>
<b>Total</b>	<b>58,622,538</b>

7. In its application and its direct and supplemental testimony (including exhibits) in this proceeding, DEC requested a total increase of \$3,114,986, on a North Carolina retail basis, of billing period charges anticipated to be incurred for purchased and generated power and ongoing implementation costs.

8. The North Carolina retail jurisdictional allocation factors related to the capacity and energy components of purchased and generated power costs anticipated to be incurred during the billing period in this proceeding are 67.55% and 66.02%, respectively. The capacity component is based on 2019 peak demand, and the energy component is based on projected billing period sales. The North Carolina retail class allocation factors related to the capacity and energy components of purchased and generated power costs anticipated to be incurred during the billing period in this proceeding are based on peak demand and projected billing period kWh sales for each class, respectively. The North Carolina retail class allocation factors related to implementation charges anticipated to be incurred during the billing period and actually incurred during the test year (for purposes of calculating the EMF) are based on a composite rate calculated as the weighted average of the capacity and energy components of purchased and generated power.

9. The projected billing period sales for use in this proceeding are 58,460,089 MWh on a North Carolina retail basis. The projected billing period North Carolina retail customer class MWh sales are as follows:

<u>N.C. Retail Customer Class</u>	<u>Adjusted MWh Sales</u>
Residential	22,067,951
General Service/Lighting	23,951,115
<u>Industrial</u>	<u>12,441,023</u>
<b>Total</b>	<b>58,460,089</b>

10. DEC's experienced North Carolina retail under-recovery of costs for the extended initial test period, or EMF period, the 29-month period starting August 1, 2017, and ending December 31, 2019, amounts to \$754,459, excluding the regulatory fee, as set forth on Maness Exhibit 1. DEC under-recovered its CPRE EMF costs for the extended initial test period by \$294,856 for the Residential class, \$305,678 for the General Service/Lighting class, and \$153,926 for the Industrial class.

11. The appropriate monthly CPRE EMF rates to be charged to customers are 0.0013 cents per kWh for the Residential class, 0.0013 cents per kWh for the General Service/Lighting class, and 0.0012 cents per kWh for the Industrial class, excluding the regulatory fee.

12. The appropriate North Carolina retail prospective billing period expenses, as adjusted and set forth on Maness Exhibit 1, amounted to a total of \$2,985,320. The appropriate prospective billing period expenses for use in this proceeding are \$1,166,715 for the Residential class, \$1,209,536 for the General Service/Lighting class, and \$609,069 for the Industrial class.

13. The appropriate monthly prospective CPRE Rider rates to be charged to customers are 0.0054 cents per kWh for the Residential class, 0.0051 cents per kWh for the General Service/Lighting class, and 0.0049 cents per kWh for the Industrial class, excluding the regulatory fee.

14. The appropriate combined monthly EMF and CPRE Rider rates to be collected during the billing period are 0.0067 cents per kWh for the Residential class, 0.0064 cents per kWh for the General Service/Lighting class, and 0.0061 cents per kWh for the Industrial class, excluding the regulatory fee.

15. The increase in costs the Company proposes to recover with its proposed EMF and CPRE Riders is within the limit established in N.C.G.S. § 62-110.8.

16. DEC is reasonably and prudently implementing the CPRE Program requirements of N.C.G.S. § 62-110.8.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1**

This finding of fact is essentially informational, procedural, and jurisdictional in nature and is uncontroverted.

#### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 2**

The evidence for this finding of fact is contained in the testimony and exhibits of Company witnesses Sykes and Cathcart.

Witness Sykes testified that N.C.G.S. § 62-110.8 provides that an electric public utility shall be authorized to recover the costs of all purchases of energy, capacity, and environmental and renewable attributes from third-party renewable energy facilities and

to recover the authorized revenue of any utility-owned assets that are procured through an annual rider approved by the Commission and reviewed annually. Commission Rule R8-71 prescribes that unless otherwise ordered by the Commission, the test period for each electric public utility shall be the same as its test period for purposes of Rule R8-55. The test period for purposes of Rule R8-55 is the 12 months ending December 31. Witness Sykes testified that for the purposes of this proceeding, DEC's proposed rider includes both an EMF component to recover DEC's costs incurred during the test period as well as a component to collect costs forecasted to be incurred during the prospective 12-month period over which the proposed Rider CPRE will be in effect.

Witness Cathcart testified, however, that the Commission approved a modification to the Company's test period to be the 29-month period ending December 31, 2019, in its April 16, 2019 Order Cancelling Annual Public Hearing, Approving Proposed Accounting Treatment, and Approving CPRE Compliance Report in Docket No. E-7, Sub 1193.

Therefore, the Company's proposed test period in this proceeding is the 29 months beginning on August 1, 2017, and ending on December 31, 2019, and the billing period for Rider CPRE is the 12 months beginning on September 1, 2020, and ending on August 31, 2021.

The test period and the billing period proposed by DEC were not challenged by any party. Based on the foregoing, the Commission concludes the Company used the appropriate test period and billing period for this first Rider CPRE filing.

#### **EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 3–4**

The evidence for these findings of fact is contained in the testimony and exhibits of Company witnesses Sykes and Cathcart and the testimony and exhibits of Public Staff witnesses Thomas and Maness.

On his Revised Exhibit No. 2, Company witness Sykes set forth the per books implementation charges of \$1,138,297 incurred by the Company to establish the CPRE Program and the amount of under-collection for purposes of the EMF. Company witness Cathcart testified regarding the Company's actions to implement the CPRE Program and comply with the CPRE Program requirements of N.C.G.S. § 62-110.8, as described in the Company's 2019 CPRE Compliance Report. The Commission takes judicial notice of the Company's compliance report for calendar year 2018 as filed in Docket No. E-7, Sub 1193. In his calculation of the proposed EMF, witness Sykes allocated 100% of the implementation charges to the North Carolina retail jurisdiction.

The testimony of Public Staff witness Thomas attested to the system-level expenses sought for recovery during the test period. Witness Thomas did not recommend any adjustments to the system-level expenses.

The testimony of Public Staff witness Maness describes procedures taken by the Public Staff to evaluate whether the Company properly determined its per books CPRE

Program costs and revenues during the test period. Witness Maness did not recommend any adjustments to the system level of per books costs.

No party challenged the prudence of the per books amount of \$1,138,297 which the Company is seeking to recover.

The Commission concludes the \$1,138,297 per books system-level costs incurred by the Company during the test period to implement the CPRE Program were reasonable and prudently incurred and are appropriate to be recovered by the Company.

## **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5**

The evidence for this finding of fact is found in the application; the direct, supplemental, and rebuttal testimony and exhibits of Company witness Sykes; and the testimony and exhibits of Public Staff witnesses Thomas and Maness.

In its application and the testimony of witness Sykes, DEC proposed to allocate 100% of the implementation costs of the CPRE Program to North Carolina retail customers rather than to all jurisdictional customers consistent with how it allocates CPRE Program energy and capacity costs. Sykes Revised Exhibits 3 and 4. In direct testimony, witness Sykes stated that the Company has directly assigned the reasonable and prudent implementation costs incurred and anticipated to be incurred to implement its CPRE Program and to comply with N.C.G.S. § 62-110.8 and Rule R8-71(j)(2) to its North Carolina retail customers consistent with cost causation principles. Tr. vol. 2, 19.

Public Staff witnesses Thomas and Maness recommended an adjustment to DEC's proposed allocation of CPRE Program implementation costs incurred during the Company's extended initial test period and projected to be incurred in the billing period to include South Carolina retail and wholesale customers. The CPRE Program implementation costs include internal labor and labor-related taxes and benefits, external consulting, independent administrator costs, and transmission and distribution (T&D) sub-team labor and labor-related costs in excess of fees collected from market participants. *Id.* at 64.

When asked why the Company did not allocate the costs between North Carolina and South Carolina retail and wholesale customers, witness Thomas stated that the Company in response to a data request, stated, "the CPRE Program was mandated by the General Assembly of North Carolina, and as such, the Company believes it reasonable that its implementation costs should be directly assigned to its NC Retail customers." *Id.* Witness Thomas further stated that the Company considers its treatment of the costs as similar to how it treats costs incurred to comply with the North Carolina Renewable Energy and Energy Efficiency Portfolio Standards (REPS) Program and the South Carolina Distributed Energy Resource Program (SC DERP). *Id.*

Witness Thomas disagreed with the Company's rationale for the proposed allocation and recommended that the implementation costs be allocated to North Carolina and South Carolina retail and wholesale customers in same manner as energy and

capacity costs. *Id.* at 65. Witness Thomas argued that there are significant differences between the CPRE Program and the REPS and SC DERP programs. The CPRE Program provides system power to all jurisdictions at or below avoided costs. Meanwhile the REPS Program, pursuant to N.C.G.S. § 62-133.8(h), authorizes a utility to recover the incremental costs of compliance, including all reasonable and prudent costs in excess of the utility's avoided costs, from its North Carolina retail customers. The SC DERP similarly authorizes the utility to recover the incremental costs above avoided costs resulting from implementation of the SC DERP from its South Carolina retail customers. *Id.* at 66.

Additionally, witness Thomas noted that the CPRE Program expressly requires renewable energy to be competitively procured from within the utilities' respective balancing authority areas, "whether located inside or outside the geographic boundaries of the State," while taking into consideration factors that are designed to ensure the most cost-effective projects are selected across each utility's service area. *Id.* at 66 (quoting N.C.G.S. § 62-110.8(c)).

Witness Thomas testified that to date the CPRE Program has selected the most cost-effective facilities in both North Carolina and South Carolina. According to the Independent Administrator's report, Tranche 1 projects are estimated to save DEC customers over \$200 million relative to DEC's avoided cost over the next 20 years. *Id.* at 66-67. In comparison, both North Carolina's REPS Program and SC DERP procures renewable energy at prices above avoided cost, imposing a premium on DEC customers.

In rebuttal testimony, DEC witness Sykes stated that the Company's proposal to allocate implementation costs to North Carolina retail customers is consistent with both general cost causation principles and the manner in which program implementation costs have historically been allocated in connection with North Carolina REPS and SC DERP. *Id.* at 26.

With regard to energy and capacity costs, witness Sykes testified that renewable energy resources procured through the CPRE Program will be supply-side system resources and will be used to supply electricity to the Company's retail and wholesale customers. Thus, it is appropriate to allocate those costs to all customers. In contrast, witness Sykes argued, the CPRE Program implementation costs should be allocated to North Carolina retail customers because they are costs caused solely by the Company's obligation to comply with N.C.G.S. § 62-110.8 and Commission Rule R8-71. Witness Sykes testified further, "Stated differently, the implementation costs would not have been incurred 'but for' the requirements of N.C. Gen. Stat. § 62-110.8 and Commission Rule R8-71, in contrast with the energy and capacity costs which would have incurred on a system basis even in the absence of the CPRE program." *Id.* at 27.

Witness Sykes added that the Company's allocation of implementation costs has not historically been based on assessment of whether those costs should be considered as part of the portion of energy and capacity costs that are above or below avoided costs. Further, the existence of costs above avoided costs associated with a particular program should not take precedence over cost causation principles and become the determinative factor for assignment of implementation costs. In conclusion, witness Sykes testified that



the Company continues to believe that incremental costs that are specific to the statutory requirements of a particular state are appropriately assigned to that state's retail customers.

After consideration of this issue, the Commission concludes that the adjustment recommended by Public Staff witnesses Thomas and Maness to allocate CPRE Program implementation costs to all jurisdictional customers produces a more reasonable and appropriate outcome than the proposal by the Company to allocate the implementation costs solely to North Carolina retail customers. Although the costs in question were incurred pursuant to North Carolina law establishing the requirement for the competitive procurement of renewable resources, the costs are inherently related to the procurement of renewable energy and capacity to serve the entire DEC system, including South Carolina and wholesale customers, at or below avoided cost.

The CPRE Program was developed and approved by the Commission pursuant to N.C.G.S. § 62-110.8 with the objective of procuring renewable energy to provide system benefits to customers at the lowest cost. Through the completion of Tranche 1, the winning projects are estimated to save all DEC customers over \$200 million relative to DEC's avoided costs. *Id.* at 67 (citing Final Report of the Independent Administrator Re: Request for Proposals for the Competitive Procurement of Renewable Energy Program Tranche 1, Figure 1 (July 18, 2019) (filed as Appendix A of DEC's 2019 CPRE Compliance Report, Cathcart Exhibit No. 1)). Stated another way, "but for" the implementation of the CPRE program, all of DEC's customers — including DEC's South Carolina retail customers — would be paying more for the energy and capacity, which DEC acknowledges would have been purchased even in the absence of the CPRE program.

The Company argues that the costs of implementation of the CPRE Program should be directly assigned to North Carolina customers because they are a result of North Carolina law. While the CPRE Program was developed and implemented pursuant to North Carolina law and Commission rule, the Commission agrees with the Public Staff that it would be inequitable and unreasonable to assign all the implementation costs to North Carolina retail customers as the CPRE Program provides benefits to South Carolina and wholesale customers from direct renewable energy investments, low-cost power, and the experience gained by DEC in establishing a robust competitive procurement program. *Id.* at 67.

## **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6**

The evidence supporting this finding of fact is contained in the testimony and exhibits of DEC witness Sykes and Public Staff witness Maness.

In his Revised Exhibit No. 4, DEC witness Sykes provided DEC's normalized North Carolina retail sales for EMF purposes of 22,444,481 MWh for the Residential class; 23,688,549 MWh for the General Service/Lighting class, and 12,489,508 MWh for the Industrial class.

Public Staff witness Maness noted these values in his testimony and stated that he did not propose any adjustments to the test period sales amounts used in this proceeding.

No other party presented evidence on the appropriateness of test period North Carolina retail sales.

The Commission concludes that the test period North Carolina retail MWh sales proposed by the Company and agreed to by the Public Staff for purposes of calculating the EMF billing factors are appropriate for use in this proceeding.

### **EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 7–8**

The evidence supporting these findings of fact is contained in the testimony and exhibits of Company witness Sykes and Public Staff witness Thomas.

DEC witness Sykes presented in his Revised Exhibit Nos. 2 and 3 DEC's projected CPRE Program costs in the billing period and the allocation of those costs to the North Carolina retail jurisdiction and the North Carolina retail customer classes. The Company used the 2019 peak demand jurisdictional allocation factor of 67.55% for capacity costs and the projected billing period sales jurisdictional allocation factor of 66.02% for energy costs for its allocation of CPRE Program purchased and generated power costs.

Public Staff witness Thomas stated that the Public Staff investigated DEC's estimation of system-level billing period costs and found them generally reasonable. Witness Thomas further stated that the Company's estimation of total energy production for each CPRE facility is based on two generic output profiles and that the Company used the actual bid prices from each project's Power Purchase Agreement (or, in the case of utility-owned projects, the as-bid price) to estimate total costs.

Witness Thomas further testified that the Public Staff does not take exception to the use of the 2019 peak demand jurisdictional allocation factor of 67.55% for capacity costs and the projected billing period sales jurisdictional allocation factor of 66.02% for energy costs for its jurisdictional allocation of CPRE Program purchased and generated power costs. The Public Staff also does not oppose the use of peak demand and energy sales, respectively, to allocate North Carolina retail jurisdictional capacity and energy costs to the customer classes (for both anticipated billing period costs and actual test period costs).

Public Staff witness Thomas also addressed the Company's use of a composite rate for allocating North Carolina retail implementation charges to the North Carolina retail customer classes. The Public Staff does not take exception to the use of a composite rate but does challenge the Company's proposed allocation of 100% of implementation costs to the North Carolina retail jurisdiction, as discussed in Finding of Fact No. 5.

No other party presented evidence on the appropriateness of the Company's proposed billing period charges anticipated to be incurred or the allocation of these costs.

The Commission concludes that the Company's system-level charges anticipated to be incurred during the billing period for purchased and generated capacity and energy and ongoing implementation costs is appropriate for use in this proceeding. The Commission further concludes that the use of 67.55% for the capacity component and 66.02% for the energy component to allocate system-level CPRE Program purchased and generated power costs to the North Carolina retail jurisdiction is appropriate for use in this proceeding and that the use of peak demand and energy sales, respectively, to allocate North Carolina retail jurisdictional capacity and energy costs to the customer classes is appropriate for use in this proceeding (for both anticipated billing period costs and actual test period costs). Further, the Commission concludes that the use of a composite rate for the allocation of North Carolina retail implementation costs to the North Carolina retail customer classes is appropriate for use in this proceeding.

### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 9**

The evidence supporting this finding of fact is contained in the testimony and Revised Exhibit No. 3 of Company witness Sykes and Public Staff witness Thomas.

In his Revised Exhibit No. 3, DEC witness Sykes provided DEC's projected billing period sales of 22,067,951 MWh for the Residential class, 23,951,115 MWh for the General Service/Lighting class, and 12,441,023 MWh for the Industrial class. Witness Sykes further testified that the Rider CPRE rate per customer class for purchased and generated power is determined by dividing the sum of the billing period costs allocated to the class by the forecast billing period MWh sales for the customer class. Similarly, the Rider CPRE rate per customer class for implementation costs is determined by dividing the sum of the billing period costs allocated to the class, using a composite rate determined in the purchased and generated power calculation, above, by the forecast billing period MWh sales for the customer class.

Public Staff witness Thomas testified as to the Company's request to recover capacity and energy costs based upon its projected billing period sales. Public Staff witness Thomas did not propose any adjustments to the projected billing period sales amounts used in this proceeding.

No other party presented evidence on the appropriateness of projected billing period North Carolina retail sales.

The Commission concludes that the Company's projected billing period sales for North Carolina retail customer classes is as follows: 22,067,951 MWh for the Residential class, 23,951,115 MWh for the General Service/Lighting class, and 12,441,023 MWh for the Industrial class.

### **EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10–14**

The evidence supporting these findings of fact appears in DEC's Application, in the direct and supplemental testimony and exhibits of DEC witness Sykes, and in the testimony and exhibits of Public Staff witnesses Thomas and Maness.

Witness Sykes' revised exhibits show a total \$1,138,297 under-recovery of CPRE Program costs for the EMF period, the initial test period starting August 1, 2007 and ending December 31, 2019. The prospective CPRE Program costs for the billing period, as shown through witness Sykes' revised exhibits, amounted to a total of \$3,114,986.

In supplemental testimony, witness Sykes revised the components of the proposed Total CPRE Rate to be effective September 1, 2020, and to remain in effect for the 12-month billing period ending August 31, 2021, as follows, excluding the regulatory fee:

<b>DEC's Rider Request Filed on May 15, 2020 (cents per kWh)</b>			
<b>Customer Class</b>	<b>EMF Rate</b>	<b>CPRE Rider Rate</b>	<b>Total CPRE Rate</b>
Residential	0.0020	0.0056	0.0076
General Service/Lighting	0.0019	0.0054	0.0073
Industrial	0.0019	0.0051	0.0070

Public Staff witnesses Thomas and Maness testified that they reviewed and analyzed the CPRE Program costs for which DEC has requested recovery in this proceeding, and with the exception of the CPRE Program implementation costs discussed in Finding of Fact No. 5, found them to be appropriate.

Witness Maness testified that the Public Staff's investigation included procedures intended to evaluate whether the Company properly determined its per books CPRE Program implementation costs and revenues during the test period. He stated that these procedures included a review of the Company's filing and other Company data provided to the Public Staff. Witness Maness testified that performing the Public Staff's investigation required the review of numerous responses to written and verbal data requests as well as discussions with the Company. *Id.* at 89.

After reviewing all of DEC's testimony and exhibits, the Public Staff, through the testimony of witnesses Thomas and Maness, recommended that DEC allocate CPRE Program implementation costs to its North Carolina and South Carolina retail and wholesale customers and refile its witness Sykes' exhibits reflecting this change. The Public Staff did not recommend any adjustments to the system-level extended initial test period or billing period costs sought for recovery. *Id.* at 81, 90.

Based on the discussion in Finding of Fact No. 5, the Commission agrees with the Public Staff's proposed adjustments to DEC's CPRE EMF and prospective billing period costs, as presented in Maness Exhibit 1, to allocate CPRE Program implementation costs to North Carolina and South Carolina retail and wholesale customers.

Thus, the Commission finds it appropriate to calculate the CPRE EMF using the North Carolina retail portion of the CPRE Program implementation costs, which total \$754,459 under-recovery for costs in the EMF period, as set forth on Maness Exhibit 1. Witness Maness testified that DEC under-recovered its CPRE EMF costs for the extended initial test period by \$294,856 for the Residential class, \$305,678 for the General Service/Lighting class, and \$153,926 for the Industrial class.

The Commission finds it appropriate to calculate the CPRE Rider Rate using the North Carolina retail portion of the CPRE Program implementation costs. The prospective CPRE Program costs for the billing period, as adjusted and set forth on Maness' Exhibit 1, amounted to a total of \$2,985,320. Witness Maness testified that the prospective billing period expenses for use in this proceeding are \$1,166,715 for the Residential class, \$1,209,536 for the General Service/Lighting class, and \$609,069 for the Industrial class.

As presented in Public Staff witness Thomas' testimony and supported by witness Maness Exhibit 1, the combined EMF Rate and CPRE Rider Rate charges per customer account, excluding the regulatory fee are as follows:

<b>Public Staff's Recommended Rates (cents per kWh)</b>			
<b>Customer Class</b>	<b>EMF Rate</b>	<b>CPRE Rider Rate</b>	<b>Total CPRE Rate</b>
Residential	0.0013	0.0054	0.0067
General Service/Lighting	0.0013	0.0051	0.0064
Industrial	0.0012	0.0049	0.0061

The Commission finds the Public Staff's recommended adjustment to rates just and reasonable for purposes of this proceeding. Based on the Commission's findings in this proceeding, it is appropriate that DEC file with the Commission updated EMF rates CPRE Rider rates consistent with the rulings in this Order.

### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 15**

The evidence supporting this finding of fact is contained in the testimony and exhibits of Company witness Sykes.

DEC witness Sykes testified that N.C.G.S. § 62-110.8(g) limits the annual increase in costs recoverable by an electric public utility to (1%) of the electric public utility's total North Carolina retail jurisdictional gross revenues for the preceding calendar year. Further, he testified that Rule R8-71 provides that "[t]he annual increase in the aggregate costs recovered under N.C.G.S. § 62-110.8(g) in any recovery period from its North Carolina retail customers shall not exceed one percent (1%) of the electric public utility's

North Carolina retail jurisdictional gross revenues for the preceding calendar year as determined as of December 31 of the previous calendar year.” Witness Sykes testified that the increase in aggregate costs DEC seeks to recover in this proceeding is less than the statutory maximum.

Public Staff witness Thomas similarly concluded that the costs the Company seeks to recover are less than 1% of DEC’s total North Carolina retail jurisdictional gross revenues for 2019.

The Commission concludes that the costs the Company seeks to recover in this proceeding are not in excess of the cost cap established by N.C.G.S. § 62-110.8(g).

### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16**

The evidence supporting this finding of fact is contained in the direct and supplemental testimony and exhibits of Company witness Cathcart, including the 2019 CPRE Compliance Report.

Witness Cathcart and the 2019 CPRE Compliance Report detail the actions of the Company to implement the CPRE Program requirements of N.C.G.S. § 62-110.8. The 2019 CPRE Compliance Report describes the Company’s efforts to implement the CPRE Program in collaboration with the Independent Administrator (IA). The IA’s Final Report for Tranche 1 (Final Report) was included as Appendix A to the 2019 CPRE Compliance Report and provides substantial details regarding the Tranche 1 process and outcome. The Company was ultimately able to procure 10 projects totaling 435 MW at prices well below the avoided cost cap, resulting in substantial projected savings to customers relative to avoided costs.

The Final Report also describes the Company’s efforts, along with the IA, to identify areas of improvements for Tranche 2, and the 2019 CPRE Compliance Report provides further details regarding the Company’s plans for Tranche 2. The 2019 CPRE Compliance Report also includes all of the information required by Commission Rule R8-71(h), including a description of the CPRE Program solicitation undertaken by DEC during the reporting year, the avoided cost rates applicable to Tranche 1, confirmation that all renewable energy resources procured through Tranche 1 were priced at or below avoided costs, certification by the IA that all public utility and third-party proposal responses were evaluated under the published CPRE Program methodology and that all proposals were treated equitably in Tranche 1 during the reporting year. The Commission takes judicial notice of the Company’s compliance report for calendar year 2018 as filed in Docket No. E-7, Sub 1193.

The Public Staff did not challenge the reasonableness and prudence of the Company’s implementation of the CPRE Program requirements of N.C.G.S. § 62-110.8. No other party presented evidence on this issue.

Therefore, the Commission concludes that the Company is in compliance with and has reasonably and prudently implemented the CPRE Program requirements of N.C.G.S. § 62-110.8.

IT IS, THEREFORE, ORDERED as follows:

1. That DEC's request to establish a CPRE Rider is approved and that this rider shall remain in effect for a 12-month period beginning on September 1, 2020 and expiring on August 31, 2021;
2. That DEC's request to establish an EMF Rider is approved and that this rider shall remain in effect for a 12-month period beginning on September 1, 2020 and expiring on August 31, 2021;
3. That DEC shall file the appropriate rate schedules and riders with the Commission in order to implement the provisions of this Order and amounts approved herein, as soon as practicable, but not later than ten days after the date of this Order;
4. That DEC shall work with the Public Staff to prepare a notice to customers of the rate changes ordered by the Commission in this docket, as well as in Docket Nos. E-7, Sub 1228 and E-7, Sub 1229, and the Company shall file such notice for Commission approval as soon as practicable, but not later than ten days after the Commission issues orders in all three dockets; and
5. That DEC's 2019 CPRE Compliance Report is hereby approved.

ISSUED BY ORDER OF THE COMMISSION.

This the 19th day of August, 2020.

NORTH CAROLINA UTILITIES COMMISSION



Janice H. Fulmore, Deputy Clerk